PETITIONER'S EXHIBIT GMV

FILED

DEC 0 5 2006

INDIANA UTILITY
REGULATORY COMMISSION

INDIANA-AMERICAN WATER COMPANY, INC.

IURC CAUSE NO. 43187

DIRECT TESTIMONY

OF

GARY M. VERDOUW

ON

INCOME STATEMENT,
REVENUES,
INCOME STATEMENT ADJUSTMENTS,
PROPOSED RATES AND TARIFFS,
AND REVENUE BY CLASS SCHEDULES

SPONSORING
PETITIONER'S EXHIBIT GMV-1

THROUGH

PETITIONER'S EXHIBIT GMV-6

Petitioner's Exhibit GMV

DIRECT TESTIMONY
OF
GARY M. VERDOUW
CAUSE NO. 43187

BACKGROUND

Q. Please state your name and business address.

A. My name is Gary M. VerDouw and my business address is 727 Craig Road, Saint Louis, Missouri 63141.

Q. By whom are you employed and in what capacity?

A. I am employed by American Water Works Service Company ("Service Company") as a Senior Financial Analyst in Rates & Regulations. The Service Company is a subsidiary of American Water Works Company, Inc. ("American") that provides shared services to American's water utility subsidiaries, including Indiana-American Water Company, Inc. ("Indiana American," the "Company," or "Petitioner").

Q. Please outline your business experience.

A. I began my employment in February of 1981 when I was hired as Reconciliation and Funds Administrator for the North Dakota State Treasurer's Office. I was hired as a Field Accountant for ANG Coal Gasification Company in Beulah, North Dakota in December of 1981. While employed with ANG, I was promoted to Accounts Payable Supervisor in 1982 and Cash Manager in 1984, where I oversaw daily cash management of over $1.5 billion in secured debt and over $400 million in daily cash balances. In January, 1988, I was hired as Business Manager for Capital Electric Cooperative, Inc. of Bismarck, North Dakota. My responsibilities there included the supervision and oversight of all accounting, finance, billing, budget, insurance, human resources, cash management, rate studies, and other functions for a growing electric distribution cooperative serving over 13,000 consumers. I was employed at Capital Electric until October of 2004, at which time I moved to the Saint Louis area. In February, 2005, I accepted my current position as Senior Financial Analyst – Rates and Regulations with the American Water Works Service Company, Inc. In my current position, I work with rates and rate issues for the regulated subsidiaries of the American Water Works Company, Inc., including Indiana American.

Q. Please summarize your educational and professional qualifications.

A. I graduated from the University of Mary in Bismarck, North Dakota in 1981 with a Bachelor of Science degree in Business Administration. I returned to the University of Mary and completed a second major in Accounting in May of 1988. I have attended the Utility Rate Seminar sponsored by the National Association of Regulatory Utility Commissioners ("NARUC") Water Committee and have participated in various continuing education programs sponsored by my former employers and by the American Water Works Service Company, Inc.

Q. Are you affiliated with any professional organizations?

A. Yes. I am a member of Institute of Management Accountants. I was also affiliated with a number of professional organizations during my prior employment as Business Manager of Capital Electric Cooperative, Inc.

Q. Have you testified before any regulatory agencies with respect to regulatory matters?

A. Yes. I have testified before the Indiana Utility Regulatory Commission ("IURC"). The scope of my testimony before the IURC was regarding the implementation of a Distribution System Improvement Charge ("DSIC") for Indiana-American Water Company. I have also testified before the Public Utilities Commission of Ohio ("PUCO"). The scope of my testimony before PUCO included discussion on the details of Ohio American Water Company's Rate Case. In addition, I have testified before the Illinois Commerce Commission ("ICC"). The scope of my testimony before the ICC included discussion on the annual purchased water and sewer reconciliation that is required under Illinois Administrative Code 655.

SCOPE OF TESTIMONY

Q. Turning your attention to the current rate case, what is the purpose of your testimony in this proceeding?

A. The purpose of my testimony in this proceeding is to discuss the accounting schedules that have been marked for identification as Petitioner's Exhibits

GMV-1, GMV-2, GMV-3, GMV-4, and GMV-5 and GMV-6. I am sponsoring these exhibits which include the Operating Income Statements as well as the adjustments to the revenues and certain operations and maintenance expenses. The operations and maintenance expenses that I am sponsoring involve labor, purchased water, purchased power, chemicals, waste disposal, management fees, group insurance, pensions, regulatory expense, insurance other than group, customer accounting, rents, general office expense, miscellaneous, and maintenance expense, as well as depreciation, amortization, and general taxes. Mr. Edward Grubb will be sponsoring exhibits that detail adjustments to state income taxes and federal income taxes.

Q. Please identify the exhibits which you will be sponsoring and for which you will be providing testimony.

A. I am sponsoring the following exhibits:

- Petitioner's Exhibit GMV-1
  Pro Forma Income Statement
- Petitioner's Exhibit GMV-2
  Revenues
- Petitioner's Exhibit GMV-3
  Labor and Operating Expense Adjustments
- Petitioner's Exhibit GMV-4
  Proposed Rate Schedules
- Petitioner's Exhibit GMV-5
  Revenue by Class Schedules

Petitioner's Exhibit GMV-6
  Financial Statements of the Company

Q. Were each of <u>Petitioner's Exhibits GMV-1</u> through <u>GMV-5</u> prepared by you or under your direction and supervision?

A. Yes.

Q. What were the sources of the data used to prepare <u>Petitioner's Exhibits</u> <u>GMV-1</u> through <u>GMV-6</u>?

A. The data used to prepare these exhibits was acquired from the books of account and business records of Indiana American, the officers and associates of Indiana American with knowledge of the facts based on their job responsibilities and activities, and other sources which I examined in the course of my investigation of the matters addressed in this testimony.

Q. Do you consider this data to be reliable and of a type that is normally used and relied on in your business for such purposes?

A. Yes.

Q. Do <u>Petitioner's Exhibits GMV-1</u> through <u>GMV-6</u>, inclusive, accurately summarize such data and the results of analysis using such data?

A. Yes, they do.

<u>MINIMUM STANDARD FILING REQUIREMENTS</u>

Q. Has Indiana American elected to proceed under the Commission's final rules on the minimum standard filing requirement ("MSFRs") (170 I.A.C. 1-5-1 through 16)?

A. Yes. In its Petition in this cause, Indiana American provided notice of its election to follow the MSFRs in this proceeding.

Q. What test year has Indiana American utilized in this proceeding?

A. Indiana American has used a test year of the twelve months ended June 2006. This test year complies with the requirements of the MSFRs.

Q. How has Indiana American followed the MSFRs with respect to the determination of rate base?

A. The MSFRs provide that rate base is to be valued at the close of the test year and that rate base may be updated to the date of the hearing on the utility's case-in-chief for the cost of plant to the extent not offset by growth in the depreciation reserve.

Indiana American's proposed original cost rate base is shown in Petitioner's Exhibit EJG-3, and is included as part of the testimony of Mr. Edward Grubb. This exhibit starts with the net original cost of Indiana American's utility plant in service as of the close of the test year and then updates it to present the actual net original cost of Indiana American's utility plant in service as of August 2006. Mr. Grubb's exhibits also include pro forma adjustments to reflect estimated activity for the remainder of 2006 to reflect pro forma original cost rate base as of December 2006.

Q. Does Indiana American intend to submit the working papers and other information required by Sections 7 through 14 of the MSFRs?

A. Yes.

OPERATING INCOME STATEMENT

Q. Please identify and describe Schedule 1 of Petitioner's Exhibit GMV-1.

A. Schedule 1 of Petitioner's Exhibit GMV-1 is the pro forma operating income statement for Indiana American on a total company and relevant operational group basis. These statements provide a summary of the pro forma adjustments made to revenues and expenses. The supporting detail for these pro forma operating income statements is contained in the various schedules referenced.

Q. Please explain the general nature of the pro forma adjustments to results of operations at present and proposed rates that you sponsor in this proceeding.

A. Each of the adjustments to results of operations at present rates that I sponsor in this proceeding is necessary in order to reflect changes in operating conditions which are not fully reflected in the actual operating results of the test year (the twelve months ended June 2006). The adjustments account for the effect of changes that are fixed in time, known to occur and measurable in amount. The adjustments annualize events only partially reflected in the test period and recognize events occurring within the twelve months following the end of the test period.

The adjustments to pro forma results of operations at proposed rates that I sponsor in this proceeding are necessary to give effect to the increase in revenue and the incremental increase in cost experienced by Indiana American in serving its customers, as a result of the proposed increase in rates. Consequently, it is necessary to give effect to these adjustments in order to properly determine the pro forma operating revenues, operating expenses and resulting operating income at present and proposed rates.

REVENUE ADJUSTMENTS

Q. Please identify and describe Schedule 1 of Petitioner's Exhibit GMV-2.

A. Schedule 1 of Petitioner's Exhibit GMV-2 is the Company's pro forma revenue at present rates. A number of adjustments were made to calculate the pro forma revenue at present rates. These are itemized on the bottom of the schedule. The adjustments were for bill analysis reconciliation, unbilled revenue, number of days adjustment, Distribution System Improvement Charge adjustment, and an annualization of service charges for customers that came on the system during the test year and through December 31, 2006. No adjustments were made for specific customer consumption pattern changes, as the adjustments that were known for specific large volume customers were very minor in detail and were considered inconsequential to the outcome of the revenue adjustment that was to be made.

1. Bill Analysis Reconciliation

Q. Please explain the purpose of an adjustment for bill analysis reconciliation.

A. A bill analysis, which summarizes the actual customer billings for the twelve (12) months of the test year, was utilized to develop the billing determinants. During the test year period, there were adjustments that were made to some customer billings that do not fit the bill analysis billing determinants. These adjustments are minor in nature and were usually one-time adjustments, such as a bill credit. Because the adjustments made in this case are minor and one-time in nature, it was determined that a change to the billing determinants were not necessary. As such, an adjustment to the difference between the billing determinants and the test year actual expense needs to be made. The adjustment made for the bill analysis reconciliation reduces test year revenue by $16,322.

2. Unbilled Revenue

Q. Please explain why unbilled revenue was removed from the test year revenues in the determination of pro forma revenue.

A. A bill analysis, which summarizes the actual customer billings for the twelve (12) months of the test year, was utilized to develop the billing determinants.

The result of that analysis results in a bill analysis reconciliation adjustment of $3,757,006. By annualizing revenues in this fashion, a full twelve (12) months of revenues is reflected for the customers at June 2006, and the inclusion of unbilled revenue is inappropriate. In other words, revenue that was unbilled at the beginning of the test year is included, so revenue that is unbilled at the end of the test year must be excluded so that the adjusted test year reflects twelve months of revenue. Unbilled revenue is a disclosure adjustment made for accounting purposes only, which allows the balance sheet to appropriately reflect a receivable for revenues earned but not yet billed. Unless unbilled revenues were removed, pro forma revenues at present rates would have been overstated. Unbilled revenue has been removed in adjusting test year revenues in several recent cases including most recently in Cause No. 42520.

3. <u>Number of Days Adjustment</u>

Q. Please explain the purpose of an adjustment for number of days billed.

A. In 2004, Indiana American changed from a monthly accounting period to a 4-4-5 accounting period. In a 4-4-5 accounting period, accounting cycles for a three month quarter are set up to cover four weeks, four weeks, and five weeks. As a result, the closing day for the accounting period may not be the last day of the month. In 2006, Indiana American reverted to the calendar month end close. The test period for this rate case is for the twelve months ending June 30, 2006; however, because of the 4-4-5 accounting period that was in effect prior to June, 2006, the test year actually covers the period of June 25, 2005, through June 30, 2006, or a total of 371 days. The effects of this on the expense side of the income statement are minimal, as the majority of expenses are monthly and are not necessarily based on the number of days in the period. However, on the revenue side, the test period includes an extra six days of revenue that would not normally be a part of a twelve month test period. Billing determinants were run for the period of June 24, 2005 through June 30, 2005, and those billing determinants were removed from the test year. The adjustment for those six extra days of billed revenue reduces the test year revenue by $1,566,296.

4. <u>Distribution System Improvement Charge Adjustment</u>

Q. Please explain the purpose of an adjustment for the Distribution System Improvement Charge (DSIC).

A. The test year includes surcharge revenue generated through the DSIC in the Water Groups and Northwest Operations Districts. The DSIC was authorized in Cause No. 42351-DSIC-2, issued June 8, 2005. The Company applied for an additional DSIC surcharge that was authorized in Cause No. 42351-DSIC-3, issued October 4, 2006. The DSIC-3 included surcharges for all Company water districts. The effects of DSIC-3 were annualized, and an adjustment was made for the amount of DSIC surcharge revenue over and above what was included in the test year as actual DSIC-2 surcharge revenue. This adjustment increases test year revenue by $1,766,029.

5. <u>Customer Growth</u>

Q. Please explain how the annualization of service charges for new customers was calculated.

A. The adjustment for customer growth annualizes service charge billings for the increase in residential and commercial customers. This adjustment is consistent with the Company's treatment accepted by the Commission in Cause Nos. 39595, 40103, 40703, and 42029. The change in the number of residential and commercial customers was calculated for each of the months from July 2005 through December 2006. In addition, six months of service charges were added to the test year for residential and commercial sprinkler meters. The change in customers was calculated for each month and then annualized for the number of months for which the service charge was not accounted for in the test year bill analysis.

Q. Why did you consider December to calculate the customer annualization?

A. As discussed in the testimony of Mr. Grubb, Indiana American has submitted a general rate base update as of December 31, 2006. Petitioner has included the change in customers through this date to reflect the level of customers to which the utility plant in rate base is providing service.

Q. Is your adjustment consistent with the methodology used by the Commission in Cause No. 42520?

A. No, because I have not considered any usage revenue for the new customers. Service charge revenue was the only amount considered in the annualization of customer growth due to the fact that it is fixed, known and measurable. The estimate of a volumetric usage annualization for customer growth would be, at best, an educated guess. Most new growth comes from residential home construction. These homes are being built with the latest in water saving appliances, making it very difficult to determine an "average" water usage rate. This is confirmed by our actual recent consumption experience.

Q. Please explain.

A. Indiana American has added approximately 8,000 customers in the three year period ending December, 2006. If consumption per customer care were predictable, we should have seen increased sales resulting from these new customers. In fact, revenue over this period has actually decreased.

Q. How have you made the determination that revenues over this period have decreased?

A. To perform this calculation, it is necessary to restate the test year revenues using the rates that were approved in Cause No. 42520. Indiana American's test year revenue for the period ended June 30, 2006 was $137,222,468. First, this number must be reduced to adjust for the six extra days in the test year period ($1,566,296). Next, the DSIC revenue in the test year period

($872,213) must be removed, because those DSIC revenues had not been authorized at the time of the Order in Cause No. 42520. Finally the unbilled revenue must be added back in the amount of $3,757,006. This produces total adjusted revenues using the rates approved in Cause No. 42520 of $138,540,965. This amount is $1,404,039 **less** than the pro forma revenues at approved rates in Cause No. 42520.

Q. What is the significance of this calculation?

A. It demonstrates that a usage based adjustment associated with customer growth is not fixed, known and measurable. When we have added 8,000 customers since the customer base used to establish pro forma revenues in the last case, one would have expected to see increased sales if usage per customer was predictable for ratemaking purposes. Since revenues are below the pro forma level even with the new customers, it confirms that no adjustment for usage based upon customer growth would be appropriate. Because of this, only service charge revenue was included in the adjustment.

EXPENSE ADJUSTMENTS

LABOR EXPENSE

Q. Please identify and describe Schedule 2 of Petitioner's Exhibit GMV-3.

A. Schedule 2 is the Company's pro forma labor expense adjustment. Pro forma labor expense was initially calculated based upon a level of 327 full time associates and no part time associates. Each associate's pro forma salary and wage was calculated and applied to his or her test year hours as adjusted. For Corporate and non-union associates, the pro forma salaries and wages reflect the April 1, 2007 annual merit increase. Union employee wages are based upon the contract rates in effect at June 30, 2007.

Q. How were the adjustments made to each associate's test year hours determined?

A. If an associate was hired during the test year, his or her hours were adjusted to reflect a full year of employment. Likewise, if an associate left during the test year, those hours were eliminated. Any current vacancies were adjusted to reflect the normal level of regular and overtime hours for each specific classification.

Q. Were there any adjustments to overtime hours and capitalization rates?

A. A three year average of overtime hours was used to determine overtime hours in the pro forma test year. The three year overtime average was less than was assumed in the 2007 labor budget for Indiana; the more conservative number was used. The capitalization percentage for Indiana labor was assumed at 16.18%, based on the 2007 Indiana budget for labor and capital expenditures.

PURCHASED WATER

Q. Please explain Schedule 3 of Petitioner's Exhibit GMV-3.

A. Schedule 3 is the adjustment for water that is purchased from other entities in order to provide service to the districts of Wabash Valley (Sullivan), Newburgh, and Northwest Indiana Operations. A pro forma adjustment in the amount of $110,000 was made for water purchased from the City of East Chicago, Indiana, for Northwest Indiana Operations. The rate increase amount was determined after discussions were held with City of East Chicago officials regarding planned increases in 2007 water rates paid by Indiana American.

PURCHASED POWER

Q. Please explain Schedule 4 of Petitioner's Exhibit GMV-3.

A. Schedule 4 reflects the pro forma adjustment for fuel and power expense for the test period. Indiana American purchases fuel and power from a number of providers across the Indiana American system. As shown in Workpaper Schedule 4b, pro forma adjustments were made to purchased power to reflect anticipated increases in electric rates from Tipmont REMC (8.0%), Johnson County REMC (2.0%), Duke Energy (formerly Cinergy) (8.0%), and Jackson County REMC (5.0%). These increases were determined through discussions with officials from the respective electric utilities that provide electricity to Indiana American operations in their respective districts. The adjustment to fuel and power expense was determined by reviewing, by district, the percentage of power supplied by each of the electric utilities listed above versus other energy providers during the test period. This percentage was then multiplied by the test year fuel and power expense to determine the costs related to each of the utilities listed above. In turn, power expenses for those utilities were increased accordingly.

Q. Does Indiana American propose to implement a "tracker" for purchased power rate increases?

A. Yes. Please see the testimony provided by Kerry Heid, wherein Mr. Heid discusses the implementation of a purchased power "tracker". If a "tracker" for purchased power is approved by the Commission, the Company believes that the pro forma adjustment made for purchased power could be eliminated and addressed through the "tracker" implementation.

CHEMICALS

Q. Please explain Schedule 5 of Petitioner's Exhibit GMV-3.

A. Schedule 5 reflects the pro forma adjustment of chemicals for the test period. Indiana American purchases chemicals needed to treat water it delivers to its customers in order to meet state and EPA requirements. Chemicals are purchased through annual contracts negotiated by American Water's Supply Chain personnel, and are negotiated on a nationwide basis in order to obtain the best prices possible. Two pro forma adjustments to chemicals were made. The first adjustment was made to annualize the test year chemical prices at a full year of 2006 contract prices. The second adjustment was made to reflect the incremental expense that is anticipated based on known and/or expected 2007 chemical price increases or decreases for the number of pounds of chemicals used throughout the test year.

WASTE DISPOSAL

Q. Please explain Schedule 6 of Petitioner's Exhibit GMV-3.

A. Schedule 6 reflects the pro forma waste disposal expense for the test period. Indiana American is proposing no pro forma adjustments to the test period for waste disposal expense.

SUPPORT SERVICES (MANAGEMENT FEES)

Q. Please explain Schedule 7 of Petitioner's Exhibit GMV-3.

A. Schedule 7 reflects the pro forma support services expense for the test period. Support service expenses relate to services provided to Indiana American by the American Water Works Service Company (the "Service Company"), and include such services as billing, customer service, engineering, accounting, finance, legal, rates and regulation, human resources, and environmental. Services provided by the Service Company are billed either directly to Indiana American or on a per customer allocation across the various American Water companies. Five pro forma adjustments to support services were made to the test year. The first entry adjusts for known one-time costs from the Service Company passed through to Indiana American, especially those costs related to RWE's divestiture of American Water. The total expense reduction to the test year for one-time expenses is

$390,586. The second adjustment is to eliminate any Service Company expenses that would not be allowed by the Commission, and includes such items as community service and donation expenses. The total expense reduction made for costs from the Service Company passed through to Indiana American that should not be considered when determining revenue requirements is $13,020. The third and fourth adjustments increase test year expense to reflect the annualization of a 4% increase in the payroll expense portion of those fees. This increase will take effect on April 1, 2007, and is included as part of the 2007 operating budget for the Service Company. The total increase for the annualization of this payroll increase is $26,931 for FICA and related taxes and $352,042 for labor related payroll increases. The final adjustment is being made to include ongoing costs that will be incurred as a part of complying with the Sarbanes-Oxley Act, which was signed into law on July 30, 2002. Indiana American is planning to meet Sarbanes-Oxley compliance by January 1, 2007. Ongoing costs necessary to meet Sarbanes-Oxley compliance include an increase in labor and related expense, depreciation expense and interest and audit fees for employee and Utility Plant in Service additions related to Service Company operations, as well as additional audit charges related to being Sarbanes-Oxley compliant. The total of this adjustment is $871,113. Further explanation on support services can be found in the testimony provided by Mr. Grubb.

GROUP INSURANCE

Q. Please explain Schedule 8 of Petitioner's Exhibit GMV-3.

A. Schedule 8 is the adjustment to group insurance which is comprised of two components. The first component is the health, life, dental, and long-term disability insurance coverage Indiana American provides for each associate. The pro forma cost of these types of insurance were determined based upon the level of coverage available and the cost rates per units of coverage. The second component relates to the accrual cost of post-retirement benefits other than pensions under SFAS 106.

Q. Please describe the post-retirement benefits other than pensions ("PBOPs") available to associates of Indiana American.

A. Depending on their start date, some Indiana American associates are eligible for PBOP's upon their retirement. Associates hired after January 1, 2003 are not eligible for post retirement benefits. For those associates hired prior to January 1, 2003, the Company provides basic life insurance coverage at the time of retirement for a period of one year or until the retiree reaches the age of 65. At this point the life insurance coverage will be reduced by 10% and the same amount for each of the next four anniversaries. Dental coverage is discontinued at the age of 65. Prescription drug benefit coverage continues after retirement.

Q. How does the Company account for the cost of PBOPs?

A. For those eligible Indiana American associates, the Company recognizes the cost of PBOPs on an accrual basis in accordance with the provisions of SFAS 106 which prescribes the accounting and financial reporting requirements for PBOPs under Generally Accepted Accounting Principles. The actuarial cost is determined by Towers Perrin, the Company's actuary, in periodic valuations.

Q. How has the Company reflected PBOP expense in its accounting exhibits in this proceeding?

A. Since the date of Commission's Order in Cause No. 39595, Indiana American has used SFAS 106 for both ratemaking and financial reporting purposes. In this proceeding the Company has again used the SFAS 106 accrual methodology for all of its PBOP costs for purposes of establishing rates in this Cause. This treatment is consistent with that approved by the Commission in the last five rate cases (Cause Nos. 40103, 40703, 41320, 42029, and 42520) and includes the continued amortization of the transition obligation over 20 years. The cost also includes an amortization of the deferred PBOP costs approved in Cause No. 41046 and 41047 for United.

Q. How was the pro forma SFAS 106 accrual cost determined?

A. The pro forma SFAS 106 accrual cost was based upon a 2006 valuation by Towers Perrin. A copy of that valuation is included in the workpapers.

Q. Is the post-retirement benefits liability funded?

A. Yes. Indiana American is a participant in three American Water Works Voluntary Employees Beneficiary Associations ("VEBAs") which are the funding vehicles used to fund SFAS 106 costs. This funding was approved by the Commission in its order in Cause No. 39595. Contributions to these VEBAs are irrevocable.

Q. Is it in the best interests of Indiana American and its customers to continue to use SFAS 106 for ratemaking purposes as well as for financial reporting purposes?

A. Yes. The use of SFAS 106 for ratemaking purposes provides a more reliable and precise measurement of the cost of PBOPs. Using the SFAS 106 accrual amount for ratemaking purposes appropriately assigns the cost of the PBOP benefits to the period in which the services giving rise to the cost are rendered by the employee.

PENSIONS

Q. Please explain Schedule 9 of Petitioner's Exhibit GMV-3.

A. Schedule 9 reflects the pro forma pension expense for the test period. Indiana American employees hired before January 1, 2006 are included as participants in the Company's defined benefit pension plan, and employees hired after January 1, 2006 are included as participants in the Company's defined contribution pension plan. Funding rates are based on actuarial studies conducted annually by Towers Perrin. A copy of that study is also included in the workpapers. Based on the results of the 2006 Towers Perrin actuarial study, a pension expense adjustment has decreased the test year expense by $242,240 for pro forma purposes.

REGULATORY EXPENSE

Q. Please discuss Schedule 10 of Petitioner's Exhibit GMV-3.

A. Schedule 10 presents the Company's adjustment for rate case expenses. The estimated expenses include fees for outside consultants (both in this case and our recently completed depreciation case), and legal services. No cost of service study was done as part of the case and, as such, no expense is included in the estimate. The payroll expense incurred by Service Company employees that prepared the case is included as an expense as well. Also included are costs for customer notices, for printing and binding of exhibits and testimony, and for other miscellaneous fees incurred. The Company is deferring the expenses it incurs in the preparation and presentation of this case. When a final order is received, these expenses will be amortized over the authorized amortization period, which should represent the life of the rates approved in the case. The Company is proposing a 24 month amortization based upon its projected future filings.

INSURANCE OTHER THAN GROUP

Q. Please explain Schedule 11 of Petitioner's Exhibit GMV-3.

A. Schedule 11 reflects the pro forma insurance other than group expense for the test period. Insurance other than group includes such insurance coverage as general liability, worker's compensation, all risk and personal property, and other miscellaneous insurance coverage requirements. Test year insurance other than group totals were adjusted on a pro forma basis to reflect 2006 insurance rates at an annualized basis.

CUSTOMER ACCOUNTING

Q. Please explain Schedule 12 of Petitioner's Exhibit GMV-3.

A. Schedule 12 reflects the pro forma customer accounting expense for the test period. Customer accounting includes all of the associated costs of providing billings to Indiana American consumers, including meter reading, bill calculation and printing, postage, and customer service for inquiries, questions, and new services. Pro forma adjustments to Customer Accounting were made to reflect a decrease in uncollectible expense based on present rates. A three year analysis of net charge-offs as a percentage of revenues was reviewed, and the three year average write-off percentage was applied to the revenues at present rates. The use of a three year average is consistent with the uncollectible expense approved in the orders in Cause Nos. 40103, 40703, 42029, and 42520. The second adjustment was made for an increase in postage expense based on current and anticipated increases in postage rates from the United States Postal Service.

RENTS

Q. Please explain Schedule 13 of Petitioner's Exhibit GMV-3.

A. Schedule 13 reflects the pro forma rent expense for the test period. An adjustment in the amount of $37,500 was made to annualize the rent expense for a new leased facility located in the Northwest Operations District.

GENERAL OFFICE EXPENSE

Q. Please explain Schedule 14 of Petitioner's Exhibit GMV-3.

A. Schedule 14 reflects the pro forma general office expense for the test period. One pro forma adjustment to the test year for general office expense was made. The test year included expenses for the STEP (Standardized Technology Enabled Processes) program in the amount of $1,346,980. These costs were written off and not included as part of the pro forma test year for General Office Expense.

MISCELLANEOUS EXPENSE

Q. Please describe the adjustments to Miscellaneous Expense as shown on Petitioner's Exhibit GMV-3, Schedule 15.

A. The first adjustment on Schedule 15 reflects the annualization of 401k costs which are based upon the annualized labor costs mentioned earlier in my testimony. The second adjustment is for the inclusion of a new annual security contract with ADT Services for various water districts in Indiana. This is for new contracted security services and is a known and measurable expense that was not included as part of the test year expense. The third adjustment annualizes auto insurance expense for the test year at the 2006 rates. The final adjustment was made to include 66 vehicles that will be leased in early 2007 to replace vehicles that are currently owned by Indiana American. An offsetting decrease in plant was made to adjust the vehicles that were to be replaced out of rate base. No adjustment was made for the Company's involvement in the Indiana Underground Protection Service (also known as Call Before You Dig) as mandated by the passage of Senate Bill 438 in 2003. No increases in locate ticket cost or amount of estimated locate tickets received are anticipated.

MAINTENANCE EXPENSE

Q. Please explain Schedule 16 of Petitioner's Exhibit GMV-3.

A. Schedule 16 reflects the pro forma maintenance expense for the test period. Adjustments to the test period maintenance were made for non routine maintenance items that will occur prior to June of 2007. Some of non routine maintenance items include well cleaning and maintenance, valve maintenance and repairs, chemical feed system maintenance, and other maintenance items. Further discussion on these maintenance adjustments can be found in the testimony provided by Stacy Sagar. In addition, an adjustment was made to remove net negative salvage from maintenance expense. In order to comply with SFAS 143, net negative salvage is taken out of depreciation expense on a monthly basis and included instead as a maintenance expense. For rate making purposes, net negative salvage is removed from maintenance expense and put back into depreciation expense. As such, a net adjustment for net negative salvage in the amount of $3,951,474 will be reflected in both maintenance expense and depreciation expense for the pro forma test year.

DEPRECIATION EXPENSE

Q. Please identify and discuss Schedule 17 of Petitioner's Exhibit GMV-3.

A. Schedule 17 is the adjustment for depreciation expense based on the Company's utility plant in service as of December 31, 2006. An adjustment to the test year depreciation is made to add back net negative salvage from maintenance expense back into depreciation. This adjustment is also explained in the Maintenance Expense testimony above. The depreciation rates approved in Cause Number 43081 dated November 21, 2006 were applied to utility plant in service as of December 31, 2006 to determine depreciation rates on a pro forma basis. This adjustment allows for a full year's depreciation on the assets included in original cost rate base as shown on Petitioner's Exhibit EJG-2.

AMORTIZATION EXPENSE

Q. Please identify and discuss Schedule 18 of Petitioner's Exhibit GMV-3.

A. Schedule 18 details the adjustments required to determine pro forma amortization expense. The first adjustment reclassifies the amortization of

Northwest capital lease and the amortization of limited term plant. These expenses are recorded as an amortization for book purposes. However, for rate case purposes these expenses are included in depreciation expense as these assets are in Utility Plant in Service. The second adjustment reclassifies the amortization of the regulatory asset AFUDC-Debt, which was mandated by the implementation of SFAS 109 and is not reflected in pro forma depreciation expense. The next two adjustments reclassifies the amount of deferred depreciation and AFUDC which are treated as depreciation for book purposes but treated as amortization for rate case purposes.

GENERAL TAXES

Q. Please explain Schedule 19 of Petitioner's Exhibit GMV-3.

A. Schedule 19 reflects the pro general tax expense for the test period. Five pro forma adjustments to the test year were made. The first was for adjustment of payroll taxes, as shown on line 16 of Schedule 19. Payroll taxes (FICA, FUTA SUTA) were annualized based on the pro forma wages determined in the Labor Expense section discussed earlier in my testimony. The second pro forma adjustment is made to annualize the Safe Drinking Water Act fee based on test year counts and rates. Pro forma adjustments are also being made to annualize the IURC and Gross Receipts taxes based upon pro forma operating revenues as shown on Schedule 1 of Petitioner's Exhibit GMV-2. The final pro forma adjustment was made for property taxes. Property taxes were adjusted based on a calculation that takes the property taxes paid in 2006 (based on 2005 assessed values for land, building, and property), determining the ratio of property taxes paid to total utility plant in service as of December 31, 2005, and applying that same ratio to the anticipated utility plant in service as of December 31, 2006.

STATE AND FEDERAL INCOME TAXES

Q. Please explain the pro forma adjustments made for State and Federal Income Taxes.

A. The explanation for the pro forma adjustments made for state and federal taxes can be found in the testimony of Edward J. Grubb. The schedules for those pro forma adjustments are included in Petitioner's Exhibit EGJ-4

PROPOSED RATE SCHEDULES

Q. Have you prepared Schedules of Rates and Tariffs based upon the level of revenues proposed in this case?

A. Yes. Petitioner's Exhibit GMV-4 contains the proposed schedules of rates and tariffs for water service (I.U.R.C. W-17-A, W-17-N, and W-17-U), and for sewer service (I.U.R.C. S-17-A). No cost of service study was conducted as a part of these rate proceedings. As such, the proposed rate increase was applied across the board to all rate schedules.

The Company is also proposing the addition of a Purchased Power Adjustment Tracker as part of the proceedings of this rate case. The Tracker is fully discussed in the testimony provided by Mr. Kerry Heid. Attached as an exhibit to Mr. Heid's testimony is a proposed tariff sheet for such Purchased Power Adjustment Tracker that would be implemented as an appendix to our tariff sheets. If the Tracker is approved by the Commission, the proposed tariff sheet included in Mr. Heid's testimony would also be incorporated into the schedule of rates that is part of Petitioner's Exhibit GMV-4.

REVENUE BY CLASS SCHEDULES

Q. Please explain Petitioner's Exhibit GMV-5.

A. The schedules contained in Petitioner's Exhibit GMV-5 detail the information used in the development of the pro forma operating revenue proposed. Schedules contained in Petitioner's Exhibit GMV-5 summarize the information in total and by individual operating district.

The schedule for each of the individual operations consists of three pages, the first being a summary comparison of the revenues at the test year level, pro forma revenues at present rates, and pro forma revenues at proposed rates. The second page is a detail of the billing determinants utilized in the development of the pro forma revenues at proposed rates. The third page presents a comparison of water bills at present and proposed rates for a customer using a 5/8 inch meter at various consumption levels. The development of the revenues has been discussed in detail in the preceding questions.

FINANCIAL STATEMENTS OF THE COMPANY

Q. Please identify and describe Schedule 1 of Petitioner's Exhibit GMV-6.

A. Schedule 1 of Petitioner's Exhibit GMV-6 presents the financial statements of the Company which correspond to the test year and rate base cutoff in this proceeding. Page 1 represents a comparative Statement of Income for the years ended June 2006 and 2005. Pages 2 and 3 present comparative Balance Sheets as of the end of June 2006 and 2005, respectively.

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.

Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
for Total Company
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Total Indiana	Reference to Supporting Schedules	Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2 Schedule 1	$ 137,222,468	$ 4,715,838	$ -	$ 141,938,306	$ 24,702,209	$ 166,640,515
2								
3	Operating Expenses							
4	Operation and maintenance							
5	Labor	GMV-3 Schedule 2	$ 11,915,051	$ 1,960,734	$ -	$ 13,875,785	$ -	$ 13,875,785
6	Purchased water	GMV-3 Schedule 3	615,800	110,000	0	725,800	0	725,800
7	Purchased power	GMV-3 Schedule 4	5,268,575	76,453	0	5,345,028	0	5,345,028
8	Chemicals	GMV-3 Schedule 5	1,289,807	344,788	0	1,634,595	0	1,634,595
9	Waste disposal	GMV-3 Schedule 6	1,242,718	0	0	1,242,718	0	1,242,718
10	Management fees	GMV-3 Schedule 7	15,327,484	846,480	0	16,173,964	0	16,173,964
11	Group insurance	GMV-3 Schedule 8	4,062,751	888,918	0	4,951,669	0	4,951,669
12	Pensions	GMV-3 Schedule 9	2,613,411	(242,240)	0	2,371,171	0	2,371,171
13	Regulatory expense	GMV-3 Schedule 10	350,570	99,877	0	450,447	0	450,447
14	Insurance, other than group	GMV-3 Schedule 11	1,590,166	(19,229)	0	1,570,937	0	1,570,937
15	Customer accounting	GMV-3 Schedule 12	4,608,102	(682,798)	0	3,925,304	312,829	4,238,133
16	Rents	GMV-3 Schedule 13	356,588	37,500	0	394,088	0	394,088
17	General office expense	GMV-3 Schedule 14	2,406,317	(1,242,340)	0	1,163,977	0	1,163,977
18	Miscellaneous	GMV-3 Schedule 15	5,587,562	785,944	0	6,373,506	0	6,373,506
19	Maintenance expense	GMV-3 Schedule 16	7,187,186	(3,606,091)	0	3,581,095	0	3,581,095
20								
21	Total operation and maintenance		$ 64,422,088	$ (642,004)	$ -	$ 63,780,084	$ 312,829	$ 64,092,913
22								
23	Depreciation expense	GMV-3 Schedule 17	$ 19,810,106	$ 6,220,658	$ -	$ 26,030,764	$ -	$ 26,030,764
24	Amortization	GMV-3 Schedule 18	260,920	161,816	0	422,736	0	422,736
25	General Taxes	GMV-3 Schedule 19	17,736,114	(212,898)	0	17,523,216	707,320	18,230,536
26	State income taxes	EJG-4 Schedule 1	1,536,145	430,783	0	1,966,928	2,042,077	4,009,005
27	Federal income taxes	EJG-4 Schedule 1	6,039,432	(63,894)	0	5,975,538	7,574,269	13,549,807
28								
29	Total operating expenses		$ 109,804,805	$ 5,894,461	$ -	$ 115,699,266	$ 10,636,495	$ 126,335,761
30								
31	Utility Operating Income		$ 27,417,663	$ (1,178,623)	$ -	$ 26,239,040	$ 14,065,714	$ 40,304,754
32								

Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
for the Corporate District
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Corporate	Reference to Supporting Schedules	Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2 Schedule 1	$ (2,355,831)	$ 2,356,004	$ (173)	$ -		
2								
3	Operating Expenses							
4	Operation and maintenance							
5	Labor	GMV-3 Schedule 2	$ 961,305	$ 201,337	$ (1,162,642)	$ -		
6	Purchased water	GMV-3 Schedule 3	0	0	0	0		
7	Purchased power	GMV-3 Schedule 4	91,367	(91,367)	0	0		
8	Chemicals	GMV-3 Schedule 5	0	0	0	0		
9	Waste disposal	GMV-3 Schedule 6	0	0	0	0		
10	Management fees	GMV-3 Schedule 7	15,316,961	857,003	(16,173,964)	0		
11	Group insurance	GMV-3 Schedule 8	5,012,799	(4,819,634)	(193,165)	0		
12	Pensions	GMV-3 Schedule 9	3,011,914	0	(3,011,914)	0		
13	Regulatory expense	GMV-3 Schedule 10	350,570	0	(350,570)	0		
14	Insurance, other than group	GMV-3 Schedule 11	1,641,691	(19,229)	(1,622,462)	0		
15	Customer accounting	GMV-3 Schedule 12	4,508,725	(2,554,252)	(1,954,473)	0		
16	Rents	GMV-3 Schedule 13	0	0	0	0		
17	General office expense	GMV-3 Schedule 14	1,797,536	(1,242,340)	(555,196)	0		
18	Miscellaneous	GMV-3 Schedule 15	2,101,507	19,892	(2,121,399)	0		
19	Maintenance expense	GMV-3 Schedule 16	4,186,403	(3,951,474)	(234,929)	0		
20								
21	Total operation and maintenance		$ 38,980,778	$ (11,600,064)	$ (27,380,714)	$ -		
22								
23	Depreciation expense	GMV-3 Schedule 17	$ (2,554,927)	$ 5,166,929	$ (2,612,002)	$ -		
24	Amortization	GMV-3 Schedule 18	130,320	64,440	(194,760)	0		
25	General Taxes	GMV-3 Schedule 19	2,417,258	(1,885,487)	(531,771)	0		
26	State income taxes	EJG-4 Schedule 1	1,536,145	(1,536,145)	0	0		
27	Federal income taxes	EJG-4 Schedule 1	6,039,432	(6,039,432)	0	0		
28								
29	Total operating expenses		$ 46,549,006	$ (15,829,759)	$ (30,719,247)	$ -		
30								
31	Utility Operating Income		$ (48,904,837)	$ 18,185,763	$ 30,719,074	$ -		
32								

Petitioner's Exhibit GMV-1

Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
for the Mooresville District
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Mooresville	Reference to Supporting Schedules	Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2 Schedule 1	$ 1,485,756	$ 43,446	$ 2	$ 1,529,204		
2								
3	Operating Expenses							
4	Operation and maintenance							
5	Labor	GMV-3 Schedule 2	$ 158,711	$ 7,060	$ 15,231	$ 181,002		
6	Purchased water	GMV-3 Schedule 3	0	0	0	0		
7	Purchased power	GMV-3 Schedule 4	55,565	0	0	55,565		
8	Chemicals	GMV-3 Schedule 5	15,844	(6,163)	0	9,681		
9	Waste disposal	GMV-3 Schedule 6	0	0	0	0		
10	Management fees	GMV-3 Schedule 7	0	0	211,879	211,879		
11	Group insurance	GMV-3 Schedule 8	(15,574)	85,779	2,530	72,736		
12	Pensions	GMV-3 Schedule 9	(7,737)	(6,898)	39,456	24,821		
13	Regulatory expense	GMV-3 Schedule 10	0	1,308	4,592	5,901		
14	Insurance, other than group	GMV-3 Schedule 11	(913)	0	21,254	20,341		
15	Customer accounting	GMV-3 Schedule 12	2,585	24,801	25,604	52,990		
16	Rents	GMV-3 Schedule 13	12,168	0	0	12,168		
17	General office expense	GMV-3 Schedule 14	18,786	0	7,273	26,059		
18	Miscellaneous	GMV-3 Schedule 15	35,989	26,659	27,790	90,438		
19	Maintenance expense	GMV-3 Schedule 16	31,371	0	3,078	34,449		
20								
21	Total operation and maintenance		$ 306,795	$ 132,547	$ 358,687	$ 798,029		
22								
23	Depreciation expense	GMV-3 Schedule 17	$ 218,527	$ 21,045	$ 34,217	$ 273,789		
24	Amortization	GMV-3 Schedule 18	0	0	2,551	2,551		
25	General Taxes	GMV-3 Schedule 19	250,870	(96,543)	6,966	161,293		
26	State income taxes	EJG-4 Schedule 1	0	19,346	0	19,346		
27	Federal income taxes	EJG-4 Schedule 1	0	59,549	0	59,549		
28								
29	Total operating expenses		$ 776,192	$ 135,944	$ 402,422	$ 1,314,558		
30								
31	Utility Operating Income		$ 709,564	$ (92,498)	$ (402,420)	$ 214,646		
32								

Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
for the Northwest District
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Northwest	Reference to Supporting Schedules		Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2	Schedule 1	$ 38,234,191	$ 757,572	$ 42	$ 38,991,805		
2									
3	Operating Expenses								
4	Operation and maintenance								
5	Labor	GMV-3	Schedule 2	$ 3,717,086	$ 545,804	$ 285,545	$ 4,548,435		
6	Purchased water	GMV-3	Schedule 3	423,943	110,000	0	533,943		
7	Purchased power	GMV-3	Schedule 4	1,603,925	0	0	1,603,925		
8	Chemicals	GMV-3	Schedule 5	393,938	96,403	0	490,341		
9	Waste disposal	GMV-3	Schedule 6	543,947	0	0	543,947		
10	Management fees	GMV-3	Schedule 7	0	0	3,972,326	3,972,326		
11	Group insurance	GMV-3	Schedule 8	(479,182)	1,990,442	47,441	1,558,702		
12	Pensions	GMV-3	Schedule 9	(190,113)	(35,991)	739,726	513,623		
13	Regulatory expense	GMV-3	Schedule 10	0	24,490	85,995	110,485		
14	Insurance, other than group	GMV-3	Schedule 11	(25,188)	0	397,990	372,802		
15	Customer accounting	GMV-3	Schedule 12	34,652	471,348	480,019	986,019		
16	Rents	GMV-3	Schedule 13	149,054	37,500	0	186,554		
17	General office expense	GMV-3	Schedule 14	149,770	0	136,356	286,126		
18	Miscellaneous	GMV-3	Schedule 15	1,193,456	315,937	521,016	2,030,409		
19	Maintenance expense	GMV-3	Schedule 16	1,167,918	223,038	57,699	1,448,655		
20									
21	Total operation and maintenance			$ 8,683,206	$ 3,778,972	$ 6,724,111	$ 19,186,289		
22									
23	Depreciation expense	GMV-3	Schedule 17	$ 4,482,675	$ 1,873,840	$ 640,724	$ 6,997,239		
24	Amortization	GMV-3	Schedule 18	2,915	1,345	47,833	52,093		
25	General Taxes	GMV-3	Schedule 19	5,462,161	2,645,625	130,603	8,238,389		
26	State income taxes	EJG-4	Schedule 1	0	123,283	0	123,283		
27	Federal income taxes	EJG-4	Schedule 1	0	98,623	0	98,623		
28									
29	Total operating expenses			$ 18,630,957	$ 8,521,688	$ 7,543,272	$ 34,695,916		
30									
31	Utility Operating Income			$ 19,603,234	$ (7,764,116)	$ (7,543,229)	$ 4,295,889		
32									

Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
for the Wabash District
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Wabash	Reference to Supporting Schedules		Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2	Schedule 1	$ 1,826,577	$ 112,142	$ 3	$ 1,938,722		
2									
3	Operating Expenses								
4	Operation and maintenance								
5	Labor	GMV-3	Schedule 2	$ 182,382	$ 31,341	$ 18,719	$ 232,442		
6	Purchased water	GMV-3	Schedule 3	0	0	0	0		
7	Purchased power	GMV-3	Schedule 4	161,076	12,886	0	173,962		
8	Chemicals	GMV-3	Schedule 5	9,310	638	0	9,948		
9	Waste disposal	GMV-3	Schedule 6	0	0	0	0		
10	Management fees	GMV-3	Schedule 7	0	0	260,401	260,401		
11	Group insurance	GMV-3	Schedule 8	(17,735)	98,997	3,110	84,372		
12	Pensions	GMV-3	Schedule 9	(8,191)	(3,969)	48,492	36,332		
13	Regulatory expense	GMV-3	Schedule 10	0	1,598	5,609	7,207		
14	Insurance, other than group	GMV-3	Schedule 11	(966)	0	25,959	24,993		
15	Customer accounting	GMV-3	Schedule 12	1,549	30,803	31,467	63,819		
16	Rents	GMV-3	Schedule 13	4,761	0	0	4,761		
17	General office expense	GMV-3	Schedule 14	22,701	0	8,939	31,640		
18	Miscellaneous	GMV-3	Schedule 15	63,918	7,857	34,155	105,930		
19	Maintenance expense	GMV-3	Schedule 16	115,574	2,400	3,782	121,756		
20									
21	Total operation and maintenance			$ 534,379	$ 182,552	$ 440,632	$ 1,157,563		
22									
23	Depreciation expense	GMV-3	Schedule 17	$ 303,404	$ (29,639)	$ 41,792	$ 315,557		
24	Amortization	GMV-3	Schedule 18	0	0	3,136	3,136		
25	General Taxes	GMV-3	Schedule 19	156,015	(3,415)	8,562	161,162		
26	State income taxes	EJG-4	Schedule 1	0	14,401	0	14,401		
27	Federal income taxes	EJG-4	Schedule 1	0	34,295	0	34,295		
28									
29	Total operating expenses			$ 993,798	$ 198,194	$ 494,121	$ 1,686,113		
30									
31	Utility Operating Income			$ 832,779	$ (86,052)	$ (494,119)	$ 252,608		
32									

Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
for the Warsaw District
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Warsaw	Reference to Supporting Schedules	Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2 Schedule 1	$ 2,265,607	$ 25,204	$ 3	$ 2,290,814		
2								
3	Operating Expenses							
4	Operation and maintenance							
5	Labor	GMV-3 Schedule 2	$ 213,370	$ 47,371	$ 18,137	$ 278,878		
6	Purchased water	GMV-3 Schedule 3	0	0	0	0		
7	Purchased power	GMV-3 Schedule 4	147,105	0	0	147,105		
8	Chemicals	GMV-3 Schedule 5	29,122	2,783	0	31,905		
9	Waste disposal	GMV-3 Schedule 6	0	0	0	0		
10	Management fees	GMV-3 Schedule 7	0	0	252,314	252,314		
11	Group insurance	GMV-3 Schedule 8	(15,108)	108,629	3,013	96,534		
12	Pensions	GMV-3 Schedule 9	(6,695)	(192)	46,986	40,099		
13	Regulatory expense	GMV-3 Schedule 10	0	1,548	5,434	6,982		
14	Insurance, other than group	GMV-3 Schedule 11	(864)	0	25,148	24,284		
15	Customer accounting	GMV-3 Schedule 12	1,531	29,214	30,490	61,235		
16	Rents	GMV-3 Schedule 13	17,876	0	0	17,876		
17	General office expense	GMV-3 Schedule 14	23,438	0	8,661	32,099		
18	Miscellaneous	GMV-3 Schedule 15	87,250	1,814	33,094	122,158		
19	Maintenance expense	GMV-3 Schedule 16	129,471	21,757	3,665	154,893		
20								
21	Total operation and maintenance		$ 626,496	$ 212,924	$ 426,942	$ 1,266,361		
22								
23	Depreciation expense	GMV-3 Schedule 17	$ 321,833	$ 27,729	$ 40,486	$ 390,048		
24	Amortization	GMV-3 Schedule 18	0	0	3,038	3,038		
25	General Taxes	GMV-3 Schedule 19	184,333	(7,031)	8,296	185,598		
26	State income taxes	EJG-4 Schedule 1	0	27,891	0	27,891		
27	Federal income taxes	EJG-4 Schedule 1	0	82,632	0	82,632		
28								
29	Total operating expenses		$ 1,132,662	$ 344,145	$ 478,762	$ 1,955,569		
30								
31	Utility Operating Income		$ 1,132,945	$ (318,941)	$ (478,759)	$ 335,245		
32								

Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
for the West Lafayette District
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	W. Lafayette	Reference to Supporting Schedules	Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2 Schedule 1	$ 3,700,975	$ (10,896)	$ 6	$ 3,690,085		
2								
3	Operating Expenses							
4	Operation and maintenance							
5	Labor	GMV-3 Schedule 2	$ 324,928	$ 80,804	$ 42,204	$ 447,936		
6	Purchased water	GMV-3 Schedule 3	0	0	0	0		
7	Purchased power	GMV-3 Schedule 4	165,442	11,764	0	177,206		
8	Chemicals	GMV-3 Schedule 5	34,073	10,350	0	44,423		
9	Waste disposal	GMV-3 Schedule 6	0	0	0	0		
10	Management fees	GMV-3 Schedule 7	0	0	587,115	587,115		
11	Group insurance	GMV-3 Schedule 8	(34,352)	195,231	7,012	167,891		
12	Pensions	GMV-3 Schedule 9	(15,794)	(3,694)	109,332	89,845		
13	Regulatory expense	GMV-3 Schedule 10	0	3,616	12,691	16,306		
14	Insurance, other than group	GMV-3 Schedule 11	(1,864)	0	58,733	56,869		
15	Customer accounting	GMV-3 Schedule 12	879	20,454	70,947	92,280		
16	Rents	GMV-3 Schedule 13	6,068	0	0	6,068		
17	General office expense	GMV-3 Schedule 14	31,076	0	20,154	51,230		
18	Miscellaneous	GMV-3 Schedule 15	93,801	23,887	77,007	194,695		
19	Maintenance expense	GMV-3 Schedule 16	89,117	20,172	8,528	117,817		
20								
21	Total operation and maintenance		$ 693,374	$ 362,584	$ 993,723	$ 2,049,681		
22								
23	Depreciation expense	GMV-3 Schedule 17	$ 610,704	$ 47,163	$ 94,554	$ 752,421		
24	Amortization	GMV-3 Schedule 18	0	0	7,070	7,070		
25	General Taxes	GMV-3 Schedule 19	322,567	8,641	19,303	350,511		
26	State income taxes	EJG-4 Schedule 1	0	40,787	0	40,787		
27	Federal income taxes	EJG-4 Schedule 1	0	122,117	0	122,117		
28								
29	Total operating expenses		$ 1,626,645	$ 581,292	$ 1,114,650	$ 3,322,587		
30								
31	Utility Operating Income		$ 2,074,330	$ (592,188)	$ (1,114,644)	$ 367,498		
32								

Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
for the Winchester District
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Winchester	Reference to Supporting Schedules		Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2	Schedule 1	$ 809,841	$ 20,398	$ 1	$ 830,240		
2									
3	Operating Expenses								
4	Operation and maintenance								
5	Labor	GMV-3	Schedule 2	$ 81,015	$ 1,895	$ 8,255	$ 91,165		
6	Purchased water	GMV-3	Schedule 3	0	0	0	0		
7	Purchased power	GMV-3	Schedule 4	17,401	0	0	17,401		
8	Chemicals	GMV-3	Schedule 5	5,997	1,264	0	7,261		
9	Waste disposal	GMV-3	Schedule 6	22,729	0	0	22,729		
10	Management fees	GMV-3	Schedule 7	0	0	114,835	114,835		
11	Group insurance	GMV-3	Schedule 8	(1,674)	41,344	1,371	41,042		
12	Pensions	GMV-3	Schedule 9	(789)	(7,018)	21,385	13,577		
13	Regulatory expense	GMV-3	Schedule 10	0	709	2,489	3,198		
14	Insurance, other than group	GMV-3	Schedule 11	(93)	0	11,519	11,426		
15	Customer accounting	GMV-3	Schedule 12	822	13,515	13,877	28,213		
16	Rents	GMV-3	Schedule 13	(894)	0	0	(894)		
17	General office expense	GMV-3	Schedule 14	8,164	0	3,942	12,106		
18	Miscellaneous	GMV-3	Schedule 15	33,359	18,666	15,062	67,087		
19	Maintenance expense	GMV-3	Schedule 16	32,333	2,500	1,668	36,501		
20									
21	Total operation and maintenance			$ 198,370	$ 72,875	$ 194,403	$ 465,648		
22									
23	Depreciation expense	GMV-3	Schedule 17	$ 141,895	$ 678	$ 18,545	$ 161,118		
24	Amortization	GMV-3	Schedule 18	0	0	1,383	1,383		
25	General Taxes	GMV-3	Schedule 19	67,776	17,140	3,776	88,691		
26	State income taxes	EJG-4	Schedule 1	0	5,773	0	5,773		
27	Federal income taxes	EJG-4	Schedule 1	0	14,258	0	14,258		
28									
29	Total operating expenses			$ 408,041	$ 110,724	$ 218,107	$ 736,871		
30									
31	Utility Operating Income			$ 401,800	$ (90,326)	$ (218,105)	$ 93,369		
32									

Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
Total Sewer Districts
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Total Sewer	Reference to Supporting Schedules		Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2	Schedule 1	$ 339,412	$ (18,808)	$ -	$ 320,604		
2									
3	Operating Expenses								
4	Operation and maintenance								
5	Labor	GMV-3	Schedule 2	$ 21,017	$ 24,457	$ -	$ 45,474		
6	Purchased water	GMV-3	Schedule 3	0	0	0	0		
7	Purchased power	GMV-3	Schedule 4	2,086	146	0	2,232		
8	Chemicals	GMV-3	Schedule 5	4,052	(743)	0	3,309		
9	Waste disposal	GMV-3	Schedule 6	149,426	0	0	149,426		
10	Management fees	GMV-3	Schedule 7	0	0	0	0		
11	Group insurance	GMV-3	Schedule 8	0	17,631	0	17,631		
12	Pensions	GMV-3	Schedule 9	0	2,268	0	2,268		
13	Regulatory expense	GMV-3	Schedule 10	0	160	561	721		
14	Insurance, other than group	GMV-3	Schedule 11	0	0	2,596	2,596		
15	Customer accounting	GMV-3	Schedule 12	7,971	3,092	0	11,063		
16	Rents	GMV-3	Schedule 13	0	0	0	0		
17	General office expense	GMV-3	Schedule 14	16	0	0	16		
18	Miscellaneous	GMV-3	Schedule 15	16,699	794	0	17,493		
19	Maintenance expense	GMV-3	Schedule 16	2,505	0	0	2,505		
20									
21	Total operation and maintenance			$ 203,772	$ 47,805	$ 3,157	$ 254,733		
22									
23	Depreciation expense	GMV-3	Schedule 17	$ 20,993	$ 4,406	$ 4,179	$ 29,578		
24	Amortization	GMV-3	Schedule 18	1,130	94	0	1,224		
25	General Taxes	GMV-3	Schedule 19	13,121	49,333	0	62,454		
26	State income taxes	EJG-4	Schedule 1	0	(3,356)	0	(3,356)		
27	Federal income taxes	EJG-4	Schedule 1	0	(15,162)	0	(15,162)		
28									
29	Total operating expenses			$ 239,016	$ 83,119	$ 7,336	$ 329,471		
30									
31	Utility Operating Income			$ 100,396	$ (101,927)	$ (7,336)	$ (8,867)		
32									

Indiana-American Water Company
Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
for Water Groups One and Two
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Total Water Groups	Reference to Supporting Schedules		Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2	Schedule 1	$ 90,915,940	$ 1,430,777	$ 115	$ 92,346,832		
2									
3	Operating Expenses								
4	Operation and maintenance								
5	Labor	GMV-3	Schedule 2	$ 6,255,237	$ 1,020,664	$ 774,552	$ 8,050,453		
6	Purchased water	GMV-3	Schedule 3	191,857	0	0	191,857		
7	Purchased power	GMV-3	Schedule 4	3,024,608	143,024	0	3,167,632		
8	Chemicals	GMV-3	Schedule 5	797,471	240,256	0	1,037,727		
9	Waste disposal	GMV-3	Schedule 6	526,616	0	0	526,616		
10	Management fees	GMV-3	Schedule 7	10,523	(10,523)	10,775,095	10,775,095		
11	Group insurance	GMV-3	Schedule 8	(386,423)	3,170,499	128,686	2,912,763		
12	Pensions	GMV-3	Schedule 9	(169,184)	(186,746)	2,006,537	1,650,607		
13	Regulatory expense	GMV-3	Schedule 10	0	66,448	233,199	299,647		
14	Insurance, other than group	GMV-3	Schedule 11	(21,637)	0	1,079,262	1,057,625		
15	Customer accounting	GMV-3	Schedule 12	49,388	1,278,226	1,302,070	2,629,684		
16	Rents	GMV-3	Schedule 13	167,555	0	0	167,555		
17	General office expense	GMV-3	Schedule 14	354,830	0	369,872	724,702		
18	Miscellaneous	GMV-3	Schedule 15	1,961,583	370,438	1,413,276	3,745,297		
19	Maintenance expense	GMV-3	Schedule 16	1,432,494	75,516	156,510	1,664,520		
20									
21	Total operation and maintenance			$ 14,194,918	$ 6,167,803	$ 18,239,059	$ 38,601,779		
22									
23	Depreciation expense	GMV-3	Schedule 17	$ 16,265,002	$ (891,493)	$ 1,737,504	$ 17,111,013		
24	Amortization	GMV-3	Schedule 18	126,555	95,937	129,749	352,241		
25	General Taxes	GMV-3	Schedule 19	8,862,013	(941,161)	354,266	8,275,118		
26	State income taxes	EJG-4	Schedule 1	0	1,738,803	0	1,738,803		
27	Federal income taxes	EJG-4	Schedule 1	0	5,579,226	0	5,579,226		
28									
29	Total operating expenses			$ 39,448,488	$ 11,749,115	$ 20,460,577	$ 71,658,180		
30									
31	Utility Operating Income			$ 51,467,452	$ (10,318,338)	$ (20,460,462)	$ 20,688,652		
32									

Petition hedule GMV-2
Schedule 1
Page 1 of 1

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Revenues
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Present Rates Revenue:	$ 141,938,306	$ 173	$ 92,346,717	$ 1,529,202	$ 38,991,763	$ 1,938,719	$ 2,290,811	$ 3,690,079	$ 830,239	$ 320,604
2											
3	Test Year Revenue:	137,222,468	(2,355,831)	90,915,940	1,485,756	38,234,191	1,826,577	2,265,607	3,700,975	809,841	339,412
4											
5	Adjustment Before Allocation:	$ 4,715,838	$ 2,356,004	$ 1,430,777	$ 43,446	$ 757,572	$ 112,142	$ 25,204	$ (10,896)	$ 20,398	$ (18,808)
6											
7											
8	Pro Forma Present Rates District Revenue:	$ 141,938,306	$ 173	$ 92,346,717	$ 1,529,202	$ 38,991,763	$ 1,938,719	$ 2,290,811	$ 3,690,079	$ 830,239	$ 320,604
9											
10	Allocation of Corporate:	-	(173)	117	2	41	3	3	6	1	-
11											
12	Pro Forma Present Rates Revenue:	$ 141,938,306	$ -	$ 92,346,834	$ 1,529,204	$ 38,991,804	$ 1,938,722	$ 2,290,814	$ 3,690,085	$ 830,240	$ 320,604
13											
14											
15											
16	Detail of Adjustment Before Allocation:										
17	Bill Analysis Reconciliation:	$ (16,322)	$ -	$ (31,415)	$ (73)	$ 12,620	$ (717)	$ 3,426	$ (267)	$ (79)	$ 184
18	Adjustment for Unbilled Revenue:	3,757,006	2,356,004	966,406	3,686	425,360	12,222	(8,869)	25,841	(693)	(22,951)
19	Number of Days Adjustment:	(1,566,296)	-	(1,041,121)	(116)	(364,448)	(23,039)	(27,624)	(102,539)	(7,359)	(50)
20	Distribution System Improvement Charge Adjustment:	1,766,029	-	1,048,959	28,171	547,600	44,736	33,940	36,847	25,776	-
21	Annualize Residential Customer Growth:	813,652	-	519,160	11,367	142,016	81,541	21,622	32,379	2,612	2,955
22	Annualize Commercial Customer Growth:	(38,231)	-	(31,212)	411	(5,576)	(2,601)	2,709	(3,157)	141	1,054
23		-	-	-	-	-	-	-	-	-	-
24											
25											
26											
27	Total Adjustment Before Allocation:	$ 4,715,838	$ 2,356,004	$ 1,430,777	$ 43,446	$ 757,572	$ 112,142	$ 25,204	$ (10,896)	$ 20,398	$ (18,808)

Indiana America Company
Cause Number 43
Pro Forma Bill Analysis Reconciliation and Unbilled Adjustments

Description	TOTAL Adjustments	Corporate	Total Water Groups	Mooresville	Northwest Indiana	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
Residential	$ (44,982)	$ -	$ (43,893)	$ (45)	$ (1,260)	$ 56	$ (24)	$ 56	$ (57)	$ 185
Commercial	(33,160)	-	(28,560)	(685)	(2,105)	(78)	(221)	(817)	(696)	2
Industrial	(9,911)	-	(9,437)	(2)	59	(489)	(43)	-	1	-
Other Public Authority	1,921	-	(1,234)	(6)	2,709	(210)	(2)	(7)	674	(3)
Sales for Resale	(4,307)	-	(4,622)	-	315	-	-	-	-	-
Plant Sales	-	-	-	-	-	-	-	-	-	-
Miscellaneous	11,036	-	9,635	706	-	15	88	592	-	-
Private Fire Service	4,083	-	2,599	(41)	1,615	(24)	56	(122)	-	-
Public Fire Service	58,999	-	44,097	-	11,287	13	3,572	31	(1)	-
Total Revenues/Sales	$ (16,322)	$ -	$ (31,415)	$ (73)	$ 12,620	$ (717)	$ 3,426	$ (267)	$ (79)	$ 184
Forfeited Discounts	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Operating Revenues	-	-	-	-	-	-	-	-	-	-
Unbilled Revenue	3,757,006	2,356,004	966,406	3,686	425,360	12,222	(8,869)	25,841	(693)	(22,951)
Pro Forma Operating Revenues	$ 3,740,684	$ 2,356,004	$ 934,991	$ 3,613	$ 437,980	$ 11,505	$ (5,443)	$ 25,574	$ (772)	$ (22,767)

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Distribution System Improvement Charge ("DSIC") Revenues
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester
1	Test Year Water Sales (100 cf):	49,829,431.1	0.0	29,523,021.0	466,436.5	15,769,207.2	805,923.0	1,236,880.2	1,793,432.0	234,531.2
2										
3	Test Year DSIC Rate:	$ 0.0388	$ -	$ 0.0189	$ -	$ 0.0199	$ -	$ -	$ -	$ -
4										
5	Test Year DSIC Revenue:	$ 872,213	$ -	$ 558,406	$ -	$ 313,807	$ -	$ -	$ -	$ -
6										
7										
8	Proposed Water Sales (100 cf):	49,323,616.6	0.0	29,202,453.3	466,408.9	15,661,959.3	797,428.0	1,225,288.1	1,738,080.9	231,998.1
9										
10	Proposed DSIC Rate:	$ 0.3865	$ -	$ 0.0550	$ 0.0604	$ 0.0550	$ 0.0561	$ 0.0277	$ 0.0212	$ 0.1111
11										
12	Proposed DSIC Revenue:	$ 2,638,242	$ -	$ 1,607,365	$ 28,171	$ 861,407	$ 44,736	$ 33,940	$ 36,847	$ 25,776
13										
14										
15	Pro Forma Adjusted DSIC Revenue:	$ 1,766,029	$ -	$ 1,048,959	$ 28,171	$ 547,600	$ 44,736	$ 33,940	$ 36,847	$ 25,776

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Distribution System Improvement Charge ("DSIC") Revenues
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester
1	Test Year Water Sales (100 cf):	49,829,431.1	0.0	29,523,021.0	466,436.5	15,769,207.2	805,923.0	1,236,880.2	1,793,432.0	234,531.2
2										
3	Test Year DSIC Rate:	$ 0.0388	$ -	$ 0.0189	$ -	$ 0.0199	$ -	$ -	$ -	$ -
4										
5	Test Year DSIC Revenue:	$ 872,213	$ -	$ 558,406	$ -	$ 313,807	$ -	$ -	$ -	$ -
6										
7										
8	Proposed Water Sales (100 cf):	49,323,616.6	0.0	29,202,453.3	466,408.9	15,661,959.3	797,428.0	1,225,288.1	1,738,080.9	231,998.1
9										
10	Proposed DSIC Rate:	$ 0.3865	$ -	$ 0.0550	$ 0.0604	$ 0.0550	$ 0.0561	$ 0.0277	$ 0.0212	$ 0.1111
11										
12	Proposed DSIC Revenue:	$ 2,638,242	$ -	$ 1,607,365	$ 28,171	$ 861,407	$ 44,736	$ 33,940	$ 36,847	$ 25,776
13										
14										
15	Pro Forma Adjusted DSIC Revenue:	$ 1,766,029	$ -	$ 1,048,959	$ 28,171	$ 547,600	$ 44,736	$ 33,940	$ 36,847	$ 25,776

Indiana American Water Company
Cause Number 43187
Pro Forma Residential and Commercial Growth

Petitioner's Exhibit GMV-2
Schedule 5

Description	TOTAL Company	Corporate	Total Water Groups	Moores-ville	Northwest Indiana	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
Residential Growth:										
Residential Count as of June 30, 2006:	250,089	0	165,408	3,276	63,100	3,901	3,270	8,960	1,724	450
Residential Count as of December 31, 2006:	251,102	0	165,978	3,276	63,438	3,887	3,284	9,052	1,739	448
Difference:	1,013	0	570	0	338	(14)	14	92	15	(2)
Average Residential Count as of June 30, 2006:	246,962	0	163,050	3,209	62,705	3,891	3,134	8,807	1,719	446
Residential Count as of December 31, 2006:	251,102	0	165,978	3,276	63,438	3,887	3,284	9,052	1,739	448
Pro Forma Customer Additions - Residential:	4,140	0	2,928	67	733	(4)	150	245	20	2
Total Service Charges to be added:	59,538	0	38,581	871	9,601	4,919	1,970	3,296	247	53
Total Sprinkler Meters to be added:	3,690	0	2,412	42	690	150	114	270	12	0
Total Pro Forma Service Charges:	$ 813,652	$ -	$ 519,160	$ 11,367	$ 142,016	$ 81,541	$ 21,622	$ 32,379	$ 2,612	$ 2,955
Commercial Growth:										
Commercial Count as of June 30, 2006:	29,001	0	20,262	389	5,467	555	911	1,178	226	13
Commercial Count as of December 31, 2006:	29,000	0	20,260	388	5,478	547	922	1,164	228	13
Difference:	(2)	0	(3)	(1)	11	(8)	11	(14)	2	0
Average Commercial Count as of June 30, 2006:	29,182	0	20,413	386	5,496	558	902	1,187	227	13
Commercial Count as of December 31, 2006:	29,000	0	20,260	388	5,478	547	922	1,164	228	13
Pro Forma Customer Additions - Commercial:	(182)	0	(154)	3	(18)	(11)	20	(23)	2	0
Total Service Charges to be added:	(3,126)	0	(2,598)	33	(362)	(156)	254	(330)	14	19
Total Sprinkler Meters to be added:	(282)	0	(222)	0	(42)	(6)	6	(18)	0	0
Total Pro Forma Service Charges:	$ (38,231)	$ -	$ (31,212)	$ 411	$ (5,576)	$ (2,601)	$ 2,709	$ (3,157)	$ 141	$ 1,054

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Labor
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Labor Expense:	$ 13,875,785	$ 1,162,642	$ 7,275,901	$ 165,771	$ 4,262,890	$ 213,723	$ 260,741	$ 405,732	$ 82,910	$ 45,474
2											
3	Less: Test Year Expense:	11,915,051	961,305	6,255,237	158,711	3,717,086	182,382	213,370	324,928	81,015	21,017
4											
5	Adjustment Before Allocation:	$ 1,960,734	$ 201,337	$ 1,020,664	$ 7,060	$ 545,804	$ 31,341	$ 47,371	$ 80,804	$ 1,895	$ 24,457
6											
7											
8	Pro Forma District Labor Expense:	$ 13,875,785	$ 1,162,642	$ 7,275,901	$ 165,771	$ 4,262,890	$ 213,723	$ 260,741	$ 405,732	$ 82,910	$ 45,474
9											
10	Allocation of Corporate:	0	(961,305)	640,421	12,593	236,097	15,477	14,996	34,895	6,825	-
11											
12	Pro Forma Labor Expense:	$ 13,875,785	$ 201,337	$ 7,916,323	$ 178,365	$ 4,498,986	$ 229,200	$ 275,737	$ 440,628	$ 89,736	$ 45,474
13											
14											
15	Detail of Adjustment Before Allocation:										
16	Annualize Labor Expense:	$ 1,766,097	$ 201,337	$ 897,266	$ 99	$ 510,729	$ 28,160	$ 42,443	$ 63,576	$ (1,611)	$ 24,099
17	4% Non-Union Pay Increase in April of 2007:	194,637	-	123,398	6,961	35,075	3,182	4,928	17,228	3,506	358
18											
19											
21											
21											
22	Total Adjustment:	$ 1,960,734	$ 201,337	$ 1,020,664	$ 7,060	$ 545,804	$ 31,341	$ 47,371	$ 80,804	$ 1,895	$ 24,457

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Purchased Water Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Purchased Water Expense:	$ 725,800	$ -	$ 191,857	$ -	$ 533,943	$ -	$ -	$ -	$ -	$ -
2											
3	Less - Test Year Purchased Water Expense:	615,800	-	191,857	-	423,943	-	-	-	-	-
4											
5	Adjustment before Allocations:	$ 110,000	$ -	$ -	$ -	$ 110,000	$ -	$ -	$ -	$ -	$ -
6											
7											
8											
9	Pro Forma District Purchased Water Expense:	$ 725,800	$ -	$ 191,857	$ -	$ 533,943	$ -	$ -	$ -	$ -	$ -
10											
11	Allocation of Corporate:	-	-	-	-	-	-	-	-	-	-
12											
13	Pro Forma Purchased Water Expense:	$ 725,800	$ -	$ 191,857	$ -	$ 533,943	$ -	$ -	$ -	$ -	$ -
14											
15											
16	Detail of Adjustments:										
17	Increase from East Chicago, IN for NW Operations	$ 110,000	$ -	$ -	$ -	$ 110,000	$ -	$ -	$ -	$ -	$ -
18		-	-	-	-	-	-	-	-	-	-
19		-	-	-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-	-	-
21											
22											
23	Pro Forma Adjustments Before Allocations:	$ 110,000	$ -	$ -	$ -	$ 110,000	$ -	$ -	$ -	$ -	$ -

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Fuel and Power Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Fuel and Power Expense:	$ 5,345,028	$ -	$ 3,167,632	$ 55,565	$ 1,603,925	$ 173,962	$ 147,105	$ 177,206	$ 17,401	$ 2,232
2											
3	Less - Test Year Fuel and Power Expense:	5,268,575	91,367	3,024,608	55,565	1,603,925	161,076	147,105	165,442	17,401	2,086
4											
5	Adjustment before Allocations:	$ 76,453	$ (91,367)	$ 143,024	$ -	$ -	$ 12,886	$ -	$ 11,764	$ -	$ 146
6											
7											
8											
9	Pro Forma District Fuel and Power Expense:	$ 5,345,028	$ -	$ 3,167,632	$ 55,565	$ 1,603,925	$ 173,962	$ 147,105	$ 177,206	$ 17,401	$ 2,232
10											
11	Allocation of Corporate:	-	-	-	-	-	-	-	-	-	-
12											
13	Pro Forma Fuel and Power Expense:	$ 5,345,028	$ -	$ 3,167,632	$ 55,565	$ 1,603,925	$ 173,962	$ 147,105	$ 177,206	$ 17,401	$ 2,232
14											
15											
16	Detail of Adjustments:										
17	Elimination of one-time adjustments to Corporate:	$ (91,367)	$ (91,367)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
18	Adjustment for Planned Power Increases:	167,820	-	143,024	-	-	12,886	-	11,764	-	146
19		-	-	-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-	-	-
21											
22											
23	Pro Forma Adjustments Before Allocations:	$ 76,453	$ (91,367)	$ 143,024	$ -	$ -	$ 12,886	$ -	$ 11,764	$ -	$ 146

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Chemicals
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Chemicals:	$ 1,634,595	$ -	$ 1,037,727	$ 9,681	$ 490,341	$ 9,948	$ 31,905	$ 44,423	$ 7,261	$ 3,309
2											
3	Less - Test Year Chemical Expense:	1,289,807	-	797,471	15,844	393,938	9,310	29,122	34,073	5,997	4,052
4											
5	Adjustment before Allocations:	$ 344,788	$ -	$ 240,256	$ (6,163)	$ 96,403	$ 638	$ 2,783	$ 10,350	$ 1,264	$ (743)
6											
7											
8											
9	Pro Forma District Chemicals Expense:	$ 1,634,595	$ -	$ 1,037,727	$ 9,681	$ 490,341	$ 9,948	$ 31,905	$ 44,423	$ 7,261	$ 3,309
10											
11	Allocation of Corporate:	-	-	-	-	-	-	-	-	-	-
12											
13	Pro Forma Chemicals Expense:	$ 1,634,595	$ -	$ 1,037,727	$ 9,681	$ 490,341	$ 9,948	$ 31,905	$ 44,423	$ 7,261	$ 3,309
14											
15											
16	Detail of Adjustments:										
17	Adjustment to Annualize at 2006 Bid Prices:	$ 194,478	$ -	$ 161,910	$ (6,874)	$ 29,735	$ (111)	$ 3,153	$ 6,002	$ 1,386	$ (723)
18	Adjustment to Annualize at 2007 Bid Prices:	150,310	-	78,346	711	66,668	749	(370)	4,348	(122)	(20)
19		-	-	-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-	-	-
21											
22											
	Pro Forma Adjustments Before Allocations:	$ 344,788	$ -	$ 240,256	$ (6,163)	$ 96,403	$ 638	$ 2,783	$ 10,350	$ 1,264	$ (743)

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Waste Disposal Expenses
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Waste Disposal Expense:	$ 1,242,718	$ -	$ 526,616	$ -	$ 543,947	$ -	$ -	$ -	$ 22,729	$ 149,426
2											
3	Test Year Waste Disposal Expense:	1,242,718	-	526,616	-	543,947	-	-	-	22,729	149,426
4											
5	Adjustment Before Allocations:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6											
7											
8	Pro Forma District Adjustment:	$ 1,242,718	$ -	$ 526,616	$ -	$ 543,947	$ -	$ -	$ -	$ 22,729	$ 149,426
9											
10	Allocation of Corporate:	-	-	-	-	-	-	-	-	-	-
11											
12	Pro Forma Waste Disposal Expense:	$ 1,242,718	$ -	$ 526,616	$ -	$ 543,947	$ -	$ -	$ -	$ 22,729	$ 149,426
13											
14											
15											
16	Details of Adjustment Before Allocations:										
17	(none)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
18		-									
19											
20	Total Adjustment Before Allocation:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Indiana-American Water Company
Cause No. 43187
Pro Forma Adjustment of Support Services (Management Fees)
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro forma management fees	$16,173,964	$16,173,964	$0	$0	$0	$0	$0	$0	$0	$0
2											
3	Less test year	15,327,484	15,316,961	10,523	0	0	0	0	0	0	0
4											
5	Pro forma adjustment before allocation	846,480	857,003	(10,523)	0	0	0	0	0	0	0
6											
7											
8											
9	Pro forma district expense	16,173,964	16,173,964	0	0	0	0	0	0	0	0
10											
11	Allocation of Corporate	0	(16,173,964)	10,775,095	211,879	3,972,326	260,401	252,314	587,115	114,835	0
12											
13	Pro forma management fees expense	16,173,964	0	10,775,095	211,879	3,972,326	260,401	252,314	587,115	114,835	0
14											
15	Other Known One-Time Cost	(390,586)	(380,063)	(10,523)	0	0	0	0	0	0	0
16	Service Company Cost Not Allowed	(13,020)	(13,020)	0	0	0	0	0	0	0	0
17	FICA Tax Adjustment Related to Wage Increases	26,931	26,931	0	0	0	0	0	0	0	0
18	Labor Related Rate Increases	352,042	352,042	0	0	0	0	0	0	0	0
19	Service Company Additional Ongoing Costs	871,113	871,113	0	0	0	0	0	0	0	0
21											
21	Total Adjustment	$ 1,237,066	$ 1,237,066	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
22											
23											
24											
25	(1) Items such as donations, community service expenses, etc.										
26											

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Group Insurance Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Group Insurance Expense:	$ 4,951,669	$ 193,165	$ 2,784,076	$ 70,205	$ 1,511,260	$ 81,262	$ 93,521	$ 160,879	$ 39,670	$ 17,631
2											
3	Less: Test Year Expense:	4,062,751	5,012,799	(386,423)	(15,574)	(479,182)	(17,735)	(15,108)	(34,352)	(1,674)	-
4											
5	Adjustment Before Allocation:	$ 888,918	$ (4,819,634)	$ 3,170,499	$ 85,779	$ 1,990,442	$ 98,997	$ 108,629	$ 195,231	$ 41,344	$ 17,631
6											
7											
8	Pro Forma Group Insurance Expense:	$ 4,951,669	$ 193,165	$ 2,784,076	$ 70,205	$ 1,511,260	$ 81,262	$ 93,521	$ 160,879	$ 39,670	$ 17,631
9											
10	Allocation of Corporate:	0	(5,012,799)	2,893,889	72,184	1,670,265	83,212	96,246	150,885	37,095	9,023
11											
12	Pro Forma Group Insurance Expense:	$ 4,951,669	$ (4,819,634)	$ 5,677,965	$ 142,390	$ 3,181,525	$ 164,474	$ 189,766	$ 311,765	$ 76,765	$ 26,654
13											
14											
15	Detail of Adjustment Before Allocation:										
16	Adjustment of Group Insurance Expense:	$ 1,017,127	$ (2,534,895)	$ 1,995,511	$ 56,232	$ 1,205,209	$ 61,783	$ 67,134	$ 124,860	$ 29,414	$ 11,879
17	Adjustment for FAS 106 Expense:	(128,209)	(2,284,739)	1,174,988	29,547	785,233	37,214	41,495	70,371	11,930	5,752
18											
19											
21											
21											
22	Total Adjustment:	$ 888,918	$ (4,819,634)	$ 3,170,499	$ 85,779	$ 1,990,442	$ 98,997	$ 108,629	$ 195,231	$ 41,344	$ 17,631

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Pension Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Pension Expense:	$ 2,371,171	$ 3,011,914	$ (355,930)	$ (14,635)	$ (226,104)	$ (12,160)	$ (6,887)	$ (19,488)	$ (7,807)	$ 2,268
2											
3	Less: Test Year Pension Expense:	2,613,411	3,011,914	(169,184)	(7,737)	(190,113)	(8,191)	(6,695)	(15,794)	(789)	-
4											
5	Adjustment Before Allocation:	$ (242,240)	$ -	$ (186,746)	$ (6,898)	$ (35,991)	$ (3,969)	$ (192)	$ (3,694)	$ (7,018)	$ 2,268
6											
7											
8	Pro Forma District Pension Expense:	$ 2,371,171	$ 3,011,914	$ (355,930)	$ (14,635)	$ (226,104)	$ (12,160)	$ (6,887)	$ (19,488)	$ (7,807)	$ 2,268
9											
10	Allocation of Corporate:	0	(3,011,914)	1,738,778	43,372	1,003,570	49,998	57,829	90,659	22,288	5,421
11											
12	Pro Forma Pension Expense:	$ 2,371,171	$ -	$ 1,382,848	$ 28,737	$ 777,466	$ 37,838	$ 50,941	$ 71,171	$ 14,481	$ 7,689
13											
14											
15	Detail of Adjustment Before Allocation:										
16	Annualize Pension Expense:	$ (242,240)	$ -	$ (186,746)	$ (6,898)	$ (35,991)	$ (3,969)	$ (192)	$ (3,694)	$ (7,018)	$ 2,268
17											
18											
19											
21											
21											
22	Total Adjustment:	$ (242,240)	$ -	$ (186,746)	$ (6,898)	$ (35,991)	$ (3,969)	$ (192)	$ (3,694)	$ (7,018)	$ 2,268

Indiana-American Water Company
Cause Number 43187
Pro Forma Adjustment of Rate Case Expense
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Adjustment of Regulatory Expense										
2											
3	Pro forma regulatory expense	$ 900,894	$ 900,894	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4	Annual regulatory expense amortized										
5	over a 24 month period	$ 450,447	$ 450,447	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	Test year regulatory expense	350,570	350,570	-	-	-	-	-	-	-	-
7											
8	Adjustment before allocations	$ (250,693)	$ (250,693)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
9											
10	Pro forma district regulatory expense	$ 99,877	$ 99,877	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11	Allocation of Corporate	0	(99,877)	66,448	1,308	24,490	1,598	1,548	3,616	709	160
12											
13	Pro forma regulatory expense	$ 99,877	$ -	$ 66,448	$ 1,308	$ 24,490	$ 1,598	$ 1,548	$ 3,616	$ 709	$ 160
14											
15											
16											
17											
18											
19											
21											
21											
22											
23											

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Insurance Other Than Group Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Insurance Other Than Group Expense:	$ 1,570,937	$ 1,622,462	$ (21,637)	$ (913)	$ (25,188)	$ (966)	$ (864)	$ (1,864)	$ (93)	$ -
2											
3	Less - Test Year Insurance Other Than Group Expense:	1,590,166	1,641,691	(21,637)	(913)	(25,188)	(966)	(864)	(1,864)	(93)	-
4											
5	Adjustment before Allocations:	$ (19,229)	$ (19,229)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6											
7											
8											
9	Pro Forma District Insurance Other Than Group Expense:	$ 1,570,937	$ 1,622,462	$ (21,637)	$ (913)	$ (25,188)	$ (966)	$ (864)	$ (1,864)	$ (93)	$ -
10											
11	Allocation of Corporate:	0	(1,622,462)	1,079,262	21,254	397,990	25,959	25,148	58,733	11,519	2,596
12											
13	Pro Forma Insurance Other Than Group Expense:	$ 1,570,937	$ -	$ 1,057,625	$ 20,341	$ 372,802	$ 24,993	$ 24,284	$ 56,869	$ 11,426	$ 2,596
14											
15											
16	Detail of Adjustments:										
17	Adjust General Liability Insurance to 2006 rates:	$ (27,221)	$ (27,221)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
18	Adjust Worker's Compensation Insurance to 2006 rates:	31,879	31,879	-	-	-	-	-	-	-	-
19	Adjust All Risk & Personal Prop. Insurance to 2006 rates:	(23,887)	(23,887)	-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-	-	-
21											
22											
23	Pro Forma Adjustments Before Allocations:	$ (19,229)	$ (19,229)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
24											
25											

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Customer Accounting Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Customer Accounting Expense:	$ 3,925,304	$ 1,954,473	$ 1,327,614	$ 27,386	$ 506,000	$ 32,352	$ 30,745	$ 21,333	$ 14,337	$ 11,063
2											
3	Less - Test Year Customer Accounting Expense:	4,608,102	4,508,725	49,388	2,585	34,652	1,549	1,531	879	822	7,971
4											
5	Adjustment before Allocations:	$ (682,798)	$ (2,554,252)	$ 1,278,226	$ 24,801	$ 471,348	$ 30,803	$ 29,214	$ 20,454	$ 13,515	$ 3,092
6											
7											
8											
9	Pro Forma District Customer Accounting Expense:	$ 3,925,304	$ 1,954,473	$ 1,327,614	$ 27,386	$ 506,000	$ 32,352	$ 30,745	$ 21,333	$ 14,337	$ 11,063
10											
11	Allocation of Corporate:	(0)	(1,954,473)	1,302,070	25,604	480,019	31,467	30,490	70,947	13,877	-
12											
13	Pro Forma Customer Accounting Expense:	$ 3,925,304	$ -	$ 2,629,684	$ 52,990	$ 986,019	$ 63,819	$ 61,235	$ 92,280	$ 28,213	$ 11,063
14											
15											
16	Detail of Adjustments:										
17	Adjustment for Uncollectibles:	$ (815,493)	$ (2,554,252)	$ 1,190,346	$ 23,047	$ 438,517	$ 28,661	$ 27,139	$ 15,607	$ 12,564	$ 2,878
18	Adjustment for Postage and Mailing Expense:	132,695	-	87,880	1,754	32,831	2,142	2,075	4,847	951	214
19		-	-	-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-	-	-
21											
22											
23	Pro Forma Adjustments Before Allocations:	$ (682,798)	$ (2,554,252)	$ 1,278,226	$ 24,801	$ 471,348	$ 30,803	$ 29,214	$ 20,454	$ 13,515	$ 3,092

Indiana-American Water Company
Cause No. 43187
Rent Expense 541000 and 541400
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.		Total Company	Total Water Groups	Wabash	Total Sewer	Corporate	Northwest	Mooresville	Warsaw	West Lafayette	Winchester
1	Pro forma rent expense	$ 394,088	$ 167,555	$ 4,761	$ -	$ -	$ 186,554	$ 12,168	$ 17,876	$ 6,068	$ (894)
2											
3	Test year rent expense	356,588	167,555	4,761	-	-	149,054	12,168	17,876	6,068	(894)
4											
5	Adjustment before Allocations	$ 37,500	$ -	$ -	$ -	$ -	$ 37,500	$ -	$ -	$ -	$ -
6											
7	Pro forma district rent expense	$ 394,088	$ 167,555	$ 4,761	$ -	$ -	$ 186,554	$ 12,168	$ 17,876	$ 6,068	$ (894)
8											
9	Allocation of Corporate	-	-	-	-	-	-	-	-	-	-
10											
11	Pro forma rent expense	$ 394,088	$ 167,555	$ 4,761	$ -	$ -	$ 186,554	$ 12,168	$ 17,876	$ 6,068	$ (894)
12											
13	Detail of adjustments before allocations:										
14											
15	Rents Real Property (New Lease Agreement	$ 37,500	$ -	$ -	$ -	$ -	$ 37,500	$ -	$ -	$ -	$ -
16	Northwest Facility)	-	-	-	-	-	-	-	-	-	-
17		-	-	-	-	-	-	-	-	-	-
18											
19	Total adjustment before allocations	$ 37,500	$ -	$ -	$ -	$ -	$ 37,500	$ -	$ -	$ -	$ -
20											
21											
22											
23											
24											
25											
26											

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of General Office Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma General Office Expense:	$ 1,163,977	$ 555,196	$ 354,830	$ 18,786	$ 149,770	$ 22,701	$ 23,438	$ 31,076	$ 8,164	$ 16
2											
3	Less - Test Year General Office Expense:	2,406,317	1,797,536	354,830	18,786	149,770	22,701	23,438	31,076	8,164	16
4											
5	Adjustment before Allocations:	$ (1,242,340)	$ (1,242,340)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6											
7											
8											
9	Pro Forma District General Office Expense:	$ 1,163,977	$ 555,196	$ 354,830	$ 18,786	$ 149,770	$ 22,701	$ 23,438	$ 31,076	$ 8,164	$ 16
10											
11	Allocation of Corporate:	(0)	(555,196)	369,872	7,273	136,356	8,939	8,661	20,154	3,942	-
12											
13	Pro Forma General Office Expense:	$ 1,163,977	$ -	$ 724,702	$ 26,059	$ 286,126	$ 31,640	$ 32,099	$ 51,230	$ 12,106	$ 16
14											
15											
16	Detail of Adjustments:										
17	Write off of STEP Costs:	$ (1,346,980)	$ (1,346,980)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
18	Eliminate Reversal of a Relocation Expense Accrual	104,640	104,640	-	-	-	-	-	-	-	-
19		-	-	-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-	-	-
21											
22											
23	Pro Forma Adjustments Before Allocations:	$ (1,242,340)	$ (1,242,340)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Miscellaneous Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Miscellaneous Expense:	$ 6,373,506	$ 2,121,399	$ 2,332,021	$ 62,648	$ 1,509,393	$ 71,775	$ 89,064	$ 117,688	$ 52,025	$ 17,493
2											
3	Less - Test Year Miscellaneous Expense:	5,587,562	2,101,507	1,961,583	35,989	1,193,456	63,918	87,250	93,801	33,359	16,699
4											
5	Adjustment before Allocations:	$ 785,944	$ 19,892	$ 370,438	$ 26,659	$ 315,937	$ 7,857	$ 1,814	$ 23,887	$ 18,666	$ 794
6											
7											
8											
9	Pro Forma District Miscellaneous Expense:	$ 6,373,506	$ 2,121,399	$ 2,332,021	$ 62,648	$ 1,509,393	$ 71,775	$ 89,064	$ 117,688	$ 52,025	$ 17,493
10											
11	Allocation of Corporate:	(0)	(2,121,399)	1,413,276	27,790	521,016	34,155	33,094	77,007	15,062	-
12											
13	Pro Forma Miscellaneous Expense:	$ 6,373,506	$ -	$ 3,745,297	$ 90,438	$ 2,030,409	$ 105,930	$ 122,158	$ 194,695	$ 67,087	$ 17,493
14											
15											
16	Detail of Adjustments:										
17	Adjustment for 401(k) Expense:	$ 75,753	$ -	$ 43,061	$ 786	$ 26,410	$ 1,259	$ 1,197	$ 2,054	$ 192	$ 794
18	Adjustment for Security Expense:	66,183	-	27,761	11,676	26,746	-	-	-	-	-
19	Adjustment for Auto Insurance at 2006 Rates:	19,892	19,892	-	-	-	-	-	-	-	-
21	Adjustment for Vehicles Leased prior to June 30, 2007:	624,115	-	299,616	14,196	262,781	6,598	617	21,833	18,474	-
21											
22	Pro Forma Adjustments Before Allocations:	$ 785,944	$ 19,892	$ 370,438	$ 26,659	$ 315,937	$ 7,857	$ 1,814	$ 23,887	$ 18,666	$ 794

Petitioner's Exhibit GMV-3
Schedule 16

Indiana-American Water Company
Cause No. 43187
Pro Forma Adjustment of Maintenance Expense
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.		Total Company	Total Water Groups	Wabash	Total Sewer	Corporate	Northwest	Mooresville	Warsaw	West Lafayette	Winchester
1	Pro forma maintenance expense	$ 3,581,095	$ 1,508,010	$ 117,974	$ 2,505	$ 234,929	$ 1,390,956	$ 31,371	$ 151,228	$ 109,289	$ 34,833
2											
3	Test year maintenance expense	7,187,186	1,432,494	115,574	2,505	4,186,403	1,167,918	31,371	129,471	89,117	32,333
4											
5	Adjustment before allocations	(3,606,091)	75,516	2,400	0	(3,951,474)	223,038	0	21,757	20,172	2,500
6											
7											
8	Pro forma district adjustment	3,581,095	1,508,010	117,974	2,505	234,929	1,390,956	31,371	151,228	109,289	34,833
9											
10	Allocation of Corporate & Customer Service	213	156,722	3,782	0	(234,929)	57,699	3,078	3,665	8,528	1,668
11											
12	Pro forma maintenance expense	3,581,308	1,664,732	121,756	2,505	0	1,448,655	34,449	154,893	117,817	36,501
13											
14											
15	Detail of adjustments before allocations:										
16	Well cleaning & maint	70,721	36,249	2,400	0	0	0	0	20,700	9,872	1,500
17	Residual mgt	36,277	0	0	0	0	36,277	0	0	0	0
18	Cleaning & Painting PSI Filters	0	0	0	0	0	0	0	0	0	0
19	Major parking lot maintenance	0	0	0	0	0	0	0	0	0	0
20	Major roof repairs	500	0	0	0	0	0	0	0	0	500
21	Valve Maintenance and Repairs	4,505	4,505	0	0	0	0	0	0	0	0
22	Generator / switch gear maint	7,308	5,508	0	0	0	0	0	0	1,300	500
23	Aerator maint	1,057	0	0	0	0	0	0	1,057	0	0
24	Chemical feed system maint	14,129	4,177	0	0	0	4,852	0	0	5,100	0
25	Easement maint	0	0	0	0	0	0	0	0	0	0
26	Other (Refer to Support Schedule 16a)	210,886	25,077	0	0	0	181,909	0	0	3,900	0
27	Elimination of Net Negative Salvage	(3,951,474)	0	0	0	(3,951,474)	0	0	0	0	0
28											
29	Total adjustments before allocations	($3,606,091)	$75,516	$2,400	$0	($3,951,474)	$223,038	$0	$21,757	$20,172	$2,500

Petitioner's Exhibit GMV-3
Support Schedule 17

Indiana-American Water Company
Cause Number 43187
Pro Forma Adjustment of Depreciation Expense
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Schedule 1
Page 1 of 1

Line No.		Total Company	Total Water Groups	Wabash	Total Sewer	Corporate	Northwest	Mooresville	Warsaw	West Lafayette	Winchester
1	Pro forma district Depreciation expense	$ 26,030,764	$ 15,373,509	$ 273,765	$ 25,399	$ 2,612,002	$ 6,356,515	$ 239,572	$ 349,562	$ 657,867	$ 142,573
2											
3	Test year Depreciation expense	$ 19,810,106	16,265,002	303,404	20,993	(2,554,927)	4,482,675	218,527	321,833	610,704	141,895
4											
5	Adjustment before Allocations	$ 6,220,658	$ (891,493)	$ (29,639)	$ 4,406	$ 5,166,929	$ 1,873,840	$ 21,045	$ 27,729	$ 47,163	$ 678
6											
7											
8	Pro forma district Depreciation expense	$ 26,030,764	$ 15,373,509	$ 273,765	$ 25,399	$ 2,612,002	$ 6,356,515	$ 239,572	$ 349,562	$ 657,867	$ 142,573
9											
10	Allocation of Corporate	$ -	1,737,504	41,792	4,180	(2,612,002)	640,724	34,217	40,486	94,554	18,545
11											
12	Pro forma Depreciation expense	$ 26,030,764	$ 17,111,013	$ 315,557	$ 29,579	$ -	$ 6,997,239	$ 273,789	$ 390,048	$ 752,421	$ 161,118

Indiana American Water Company
Cause No. 43187
Pro Forma Adjustment of Amortization Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line No.	Description	Total	Total Water Groups	Wabash	Total Sewer	Corporate	Northwest	Mooresville	Warsaw	West Lafayette	Winchester
1	Pro forma amortization expense	$ 421,716	$ 222,492	$ -	$ 204	$ 194,760	$ 4,260	$ -	$ -	$ -	$ -
2	Test year amortization expense	259,900	126,555	0	110	130,320	2,915	0	0	0	0
3											
4	Adjustment before allocations	161,816	95,937	0	94	64,440	1,345	0	0	0	0
5											
6											
7	Pro forma district expense	421,716	222,492	0	204	194,760	4,260	0	0	0	0
8	Allocation of Corporate	0	129,749	3,136	0	(194,760)	47,833	2,551	3,038	7,070	1,383
9											
10	Pro forma amortization expense	421,716	352,241	3,136	204	0	52,093	2,551	3,038	7,070	1,383
11											
12											
13	Detail of adjustments:										
14											
15	Reclass of limited term plant amortization	(4,920)	0	0	0	(4,920)	0	0	0	0	0
16	Reclass amortization of Reg. Asset AFUDC debt	69,360	0	0	0	69,360	0	0	0	0	0
17	Adjustment of post-in-service AFUDC amortization	11,780	11,505	0	10	0	265	0	0	0	0
18	Reclass and adjustment of deferred depreciation	85,596	84,432	0	84	0	1,080	0	0	0	0
19											
20											
21	Total adjustments before allocations	$ 161,816	$ 95,937	$ -	$ 94	$ 64,440	$ 1,345	$ -	$ -	$ -	$ -
22											
23											
24											
25											
26											

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of General Tax Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma General Taxes:	$ 17,523,216	$ 531,771	$ 7,920,856	$ 154,327	$ 8,107,787	$ 152,601	$ 177,303	$ 331,208	$ 84,916	$ 62,447
2											
3	Less: Test Year Expense:	17,736,114	2,417,258	8,862,013	250,870	5,462,161	156,015	184,333	322,567	67,776	13,121
4											
5	Adjustment Before Allocation:	$ (212,898)	$ (1,885,487)	$ (941,157)	$ (96,543)	$ 2,645,626	$ (3,414)	$ (7,030)	$ 8,641	$ 17,140	$ 49,326
6											
7											
8	Pro Forma District General Tax Expense:	$ 17,523,216	$ 531,771	$ 7,920,856	$ 154,327	$ 8,107,787	$ 152,601	$ 177,303	$ 331,208	$ 84,916	$ 62,447
9											
10	Allocation of Corporate:	0	(961,305)	640,421	12,593	236,097	15,477	14,996	34,895	6,825	-
11											
12	Pro Forma General Tax Expense:	$ 17,523,216	$ (429,534)	$ 8,561,278	$ 166,920	$ 8,343,883	$ 168,078	$ 192,299	$ 366,104	$ 91,741	$ 62,447
13											
14											
15	Detail of Adjustment Before Allocation:										
16	Adjustment of Payroll Taxes:	$ 135,864	$ -	$ 80,475	$ 521	$ 41,070	$ 1,277	$ 3,490	$ 5,752	$ 236	$ 3,043
17	Adjustment for Safe Drinking Water Act:	17,473	-	11,159	239	4,582	245	254	884	109	-
18	Adjustment of IURC Fee- Present Rates:	57,342	-	35,518	221	20,321	298	1,009	99	123	(247)
19	Adjustment of *Gross Receipts Tax - Present Rates:*	(26,302)	(1,885,487)	1,238,121	20,528	476,446	25,332	31,262	51,953	11,151	4,392
21	Adjustment of Property Tax:	(397,275)	-	(2,306,431)	(118,052)	2,103,207	(30,566)	(43,046)	(50,046)	5,520	42,138
22		-	-	-	-	-	-	-	-	-	-
23		-	-	-	-	-	-	-	-	-	-
24											
25											
26	Total Adjustment:	$ (212,898)	$ (1,885,487)	$ (941,157)	$ (96,543)	$ 2,645,626	$ (3,414)	$ (7,030)	$ 8,641	$ 17,140	$ 49,326

Indiana-American Water Company, Inc.
Cause No. 43187

Petitioner's Exhibit EJG-4
Schedule 1
Page 1 of 1

Pro Forma Calculation of Federal and State Income Taxes

Line	Description	Total	Total Water Groups	Wabash	Total Sewer	Northwest	Moores -ville	Warsaw	West Lafayette	Winchester
1	Operating Revenues	$141,938,306	$92,346,832	$1,938,722	$320,604	$38,991,805	$1,529,204	$2,290,814	$3,690,085	$830,240
2										
3	Less Deductions:									
4	Operating & Maintenance Expenses	63,780,084	38,601,779	1,157,563	254,733	19,186,289	798,029	1,266,361	2,049,681	465,648
5	Depreciation - Tax Normalized	23,286,508	15,827,525	301,287	24,914	5,926,704	213,415	339,554	516,964	136,145
6	Amortization	422,736	352,241	3,136	1,224	52,093	2,551	3,038	7,070	1,383
7	General Taxes	17,523,216	8,275,118	161,162	62,454	8,238,389	161,293	185,598	350,511	88,691
8	Amortization of ITC	(229,964)	(180,605)	(4,941)	(204)	(36,646)	(1,001)	(4,356)	(1,503)	(708)
9	Permanent Taxable Differences	(81,227)	(50,245)	(1,127)	(98)	(23,787)	(1,235)	(1,731)	(2,521)	(483)
10	Interest on Customer Deposits	0	0	0	0	0	0	0	0	0
11	Interest Synchronization Deduction	16,317,846	10,536,395	181,572	21,965	4,780,900	152,439	210,156	349,742	84,677
12	Total Deductions	121,019,199	73,362,208	1,798,651	364,988	38,123,942	1,325,492	1,998,620	3,269,944	775,353
13										
14	Federal Taxable Income									
15	Before State Income Taxes	20,919,107	18,984,624	140,070	(44,384)	867,863	203,713	292,193	420,141	54,887
16	Less State Income Taxes	1,966,928	1,738,803	14,401	(3,356)	123,283	19,346	27,891	40,787	5,773
17	Plus Amortization of Reg. Assets/Liablities	(58,366)	(37,686)	(648)	(82)	(17,101)	(543)	(753)	(1,249)	(304)
18	Less Allocation of Parent Company Interest	1,330,571	859,151	14,769	1,863	389,857	12,374	17,164	28,474	6,919
19	Federal Taxable Income	$17,563,242	$16,348,984	$110,252	($42,973)	$337,622	$171,450	$246,385	$349,631	$41,891
20										
21	Current and Deferred Federal Income Taxes									
22	Taxes @ 35% rate	$6,147,136	$5,722,145	$38,588	($15,040)	$118,168	$60,007	$86,235	$122,371	$14,662
23	Plus: SFAS 109 Amortization to FIT	58,366	37,686	648	82	17,101	543	753	1,249	304
24	Plus: Investment Credit Amortization	(229,964)	(180,605)	(4,941)	(204)	(36,646)	(1,001)	(4,356)	(1,503)	(708)
25	Total Federal Income Taxes	5,975,538	5,579,226	34,295	(15,162)	98,623	59,549	82,632	122,117	14,258
26	Less Test Year Expense	0	0	0	0	0	0	0	0	0
27	Pro-forma Adjustment	$5,975,538	$5,579,226	$34,295	($15,162)	$98,623	$59,549	$82,632	$122,117	$14,258
28										
29										
30	Federal Taxable Income									
31	Before State Income Taxes	$20,919,107	$18,984,624	$140,070	($44,384)	$867,863	$203,713	$292,193	$420,141	$54,887
32	Add: Utility Gross Receipts Tax	1,859,185	1,238,121	25,332	4,392	476,446	20,528	31,262	51,953	11,151
33	Add Amortization of Reg. Assets/Liablities	(97,421)	(62,903)	(1,082)	(137)	(28,544)	(906)	(1,257)	(2,085)	(507)
34	State Taxable Income	$22,680,871	$20,159,842	$164,320	($40,129)	$1,315,765	$223,335	$322,198	$470,009	$65,531
35										
36	Current and Deferred State Income Taxes									
37	Supplemental Income Tax @ 8.5%	$1,927,873	$1,713,586	$13,967	($3,411)	$111,840	$18,983	$27,387	$39,951	$5,570
38	Plus: SFAS Amortization to SIT	39,055	25,217	434	55	11,443	363	504	836	203
39	Total State Income Taxes	1,966,928	1,738,803	14,401	(3,356)	123,283	19,346	27,891	40,787	5,773
40	Less Test Year Expense	0	0	0	0	0	0	0	0	0
41	Pro-forma Adjustment	$1,966,928	$1,738,803	$14,401	($3,356)	$123,283	$19,346	$27,891	$40,787	$5,773

Petitioner's Exhibit GMV-4

INDIANA-AMERICAN WATER COMPANY, INC.

PROPOSED TARIFFS

W-17-A	SCHEDULES OF RATES AND TARIFFS IN AND ADJACENT TO CRAWFORDSVILLE, INDIANA JOHNSON COUNTY *(FRANKLIN & GREENWOOD), INDIANA* SOUTHERN INDIANA *(JEFFERSONVILLE, CLARKSVILLE & NEW ALBANY), INDIANA* KOKOMO, INDIANA MUNCIE, INDIANA NEWBURGH, INDIANA NOBLESVILLE, INDIANA RICHMOND, INDIANA SEYMOUR, INDIANA SHELBYVILLE, INDIANA SOMERSET, INDIANA SUMMITVILLE, INDIANA WABASH, INDIANA WABASH VALLEY *(TERRE HAUTE, FARMERSBURG, & SULLIVAN), INDIANA*
W-17-N	NORTHWEST INDIANA OPERATIONS *(BURNS HARBOR, CHESTERTON, GARY, HOBART, MERRILLVILLE, PORTAGE, PORTER & SOUTH HAVEN), INDIANA*
W-17-U	MOORESVILLE, INDIANA WARSAW, INDIANA WINCHESTER, INDIANA WEST LAFAYETTE, INDIANA
W-17-B	SCHEDULES OF RATES AND TARIFFS FOR WHOLESALE STANDBY WATER SERVICE
S-17-A	SCHEDULES OF RATES AND TARIFFS FOR SEWER SERVICE IN AND ADJACENT TO SOMERSET, INDIANA DELAWARE COUNTY, INDIANA (MUNCIE SEWER)

INDIANA-AMERICAN WATER COMPANY, INC.

GREENWOOD, INDIANA

SCHEDULES OF RATES AND TARIFFS

IN AND ADJACENT TO

CRAWFORDSVILLE, INDIANA
JOHNSON COUNTY
(FRANKLIN & GREENWOOD), INDIANA
SOUTHERN INDIANA
(JEFFERSONVILLE, CLARKSVILLE & NEW ALBANY), INDIANA
KOKOMO, INDIANA
MUNCIE, INDIANA
NEWBURGH, INDIANA
NOBLESVILLE, INDIANA
RICHMOND, INDIANA
SEYMOUR, INDIANA
SHELBYVILLE, INDIANA
SOMERSET, INDIANA
SUMMITVILLE, INDIANA
WABASH, INDIANA
WABASH VALLEY
(TERRE HAUTE, FARMERSBURG, & SULLIVAN), INDIANA

ISSUED:

Pursuant to order of Indiana Utility Regulatory Commission approved ________________, in Cause No. 43187

EFFECTIVE:

For all water service on and after date of approval by Tariff Division of Engineering Division of Indiana Utility Regulatory Commission.

INDIANA-AMERICAN WATER COMPANY, INC.

By: ______________________________
Terry L. Gloriod , President

Date Approved
By Tariff Division of Engineering
Division of IURC

CLASSIFICATION OF SERVICE

GENERAL WATER SERVICE

Available For

All general water service customers except sale for resale customers.

Billing Frequency

Bills for general water service shall be rendered on a monthly basis. The following schedule of volumetric rates are set forth on a monthly basis.

Volumetric Rates
The following shall be the rates for consumption:

		Kokomo Flowing Wells Noblesville Seymour Somerset Summitville	Crawfordsville Richmond Johnson County Shelbyville Muncie Southern Indiana Newburgh Wabash Valley
		GROUP 1	**GROUP 2**
	Hundred Cubic Feet Per Month	Rate Per 100 Cubic Feet*	Rate Per 100 Cubic Feet*
For the first	20	$2.9334	$2.5727
For the next	4,980	2.1252	1.8638
For all over	5,000	1.4977	1.3137
	Thousand Gallons Per Month	Rate Per 1000 Gallons*	Rate Per 1000 Gallons*
For the first	15	$3.9112	$3.4303
For the next	3,735	2.8336	2.4851
For all over	3,750	1.9969	1.7516

Minimum bill for Flowing Wells residential customer $23.47
Minimum bill for Flowing Wells commercial customer $27.38

* Subject to the Distribution System Improvement Charge listed on Appendix A

Continued to Page 2a

CLASSIFICATION OF SERVICE

GENERAL WATER SERVICE

Volumetric Rates (Continued)

The following shall be the rates for consumption:

Wabash

	Hundred Cubic Feet Per Month	Rate For 100 Cubic Feet
For the first	20.0	$1.4621
For the next	646.0	1.2371
For the next	4,334.0	0.7141
For all over	5,000.0	0.7141

	Thousand Gallons Per Month	Rate Per 1000 Gallons
For the first	15.0	$1.9495
For the next	485.5	1.6495
For the next	3,250.5	0.9521
For all over	3,750.0	0.9521

Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
for Total Company
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Total Indiana	Reference to Supporting Schedules		Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2	Schedule 1	$ 137,222,468	$ 4,715,838	$ -	$ 141,938,306	$ 24,702,209	$ 166,640,515
2									
3	Operating Expenses								
4	Operation and maintenance								
5	Labor	GMV-3	Schedule 2	$ 11,915,051	$ 1,960,734	$ -	$ 13,875,785	$ -	$ 13,875,785
6	Purchased water	GMV-3	Schedule 3	615,800	110,000	0	725,800	0	725,800
7	Purchased power	GMV-3	Schedule 4	5,268,575	76,453	0	5,345,028	0	5,345,028
8	Chemicals	GMV-3	Schedule 5	1,289,807	344,788	0	1,634,595	0	1,634,595
9	Waste disposal	GMV-3	Schedule 6	1,242,718	0	0	1,242,718	0	1,242,718
10	Management fees	GMV-3	Schedule 7	15,327,484	846,480	0	16,173,964	0	16,173,964
11	Group insurance	GMV-3	Schedule 8	4,062,751	888,918	0	4,951,669	0	4,951,669
12	Pensions	GMV-3	Schedule 9	2,613,411	(242,240)	0	2,371,171	0	2,371,171
13	Regulatory expense	GMV-3	Schedule 10	350,570	99,877	0	450,447	0	450,447
14	Insurance, other than group	GMV-3	Schedule 11	1,590,166	(19,229)	0	1,570,937	0	1,570,937
15	Customer accounting	GMV-3	Schedule 12	4,608,102	(682,798)	0	3,925,304	312,829	4,238,133
16	Rents	GMV-3	Schedule 13	356,588	37,500	0	394,088	0	394,088
17	General office expense	GMV-3	Schedule 14	2,406,317	(1,242,340)	0	1,163,977	0	1,163,977
18	Miscellaneous	GMV-3	Schedule 15	5,587,562	785,944	0	6,373,506	0	6,373,506
19	Maintenance expense	GMV-3	Schedule 16	7,187,186	(3,606,091)	0	3,581,095	0	3,581,095
20									
21	Total operation and maintenance			$ 64,422,088	$ (642,004)	$ -	$ 63,780,084	$ 312,829	$ 64,092,913
22									
23	Depreciation expense	GMV-3	Schedule 17	$ 19,810,106	$ 6,220,658	$ -	$ 26,030,764	$ -	$ 26,030,764
24	Amortization	GMV-3	Schedule 18	260,920	161,816	0	422,736	0	422,736
25	General Taxes	GMV-3	Schedule 19	17,736,114	(212,898)	0	17,523,216	707,320	18,230,536
26	State income taxes	EJG-4	Schedule 1	1,536,145	430,783	0	1,966,928	2,042,077	4,009,005
27	Federal income taxes	EJG-4	Schedule 1	6,039,432	(63,894)	0	5,975,538	7,574,269	13,549,807
28									
29	Total operating expenses			$ 109,804,805	$ 5,894,461	$ -	$ 115,699,266	$ 10,636,495	$ 126,335,761
30									
31	Utility Operating Income			$ 27,417,663	$ (1,178,623)	$ -	$ 26,239,040	$ 14,065,714	$ 40,304,754
32									

Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
for the Corporate District
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Corporate	Reference to Supporting Schedules	Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2 Schedule 1	$ (2,355,831)	$ 2,356,004	$ (173)	$ -		
2								
3	Operating Expenses							
4	Operation and maintenance							
5	Labor	GMV-3 Schedule 2	$ 961,305	$ 201,337	$ (1,162,642)	$ -		
6	Purchased water	GMV-3 Schedule 3	0	0	0	0		
7	Purchased power	GMV-3 Schedule 4	91,367	(91,367)	0	0		
8	Chemicals	GMV-3 Schedule 5	0	0	0	0		
9	Waste disposal	GMV-3 Schedule 6	0	0	0	0		
10	Management fees	GMV-3 Schedule 7	15,316,961	857,003	(16,173,964)	0		
11	Group insurance	GMV-3 Schedule 8	5,012,799	(4,819,634)	(193,165)	0		
12	Pensions	GMV-3 Schedule 9	3,011,914	0	(3,011,914)	0		
13	Regulatory expense	GMV-3 Schedule 10	350,570	0	(350,570)	0		
14	Insurance, other than group	GMV-3 Schedule 11	1,641,691	(19,229)	(1,622,462)	0		
15	Customer accounting	GMV-3 Schedule 12	4,508,725	(2,554,252)	(1,954,473)	0		
16	Rents	GMV-3 Schedule 13	0	0	0	0		
17	General office expense	GMV-3 Schedule 14	1,797,536	(1,242,340)	(555,196)	0		
18	Miscellaneous	GMV-3 Schedule 15	2,101,507	19,892	(2,121,399)	0		
19	Maintenance expense	GMV-3 Schedule 16	4,186,403	(3,951,474)	(234,929)	0		
20								
21	Total operation and maintenance		$ 38,980,778	$ (11,600,064)	$ (27,380,714)	$ -		
22								
23	Depreciation expense	GMV-3 Schedule 17	$ (2,554,927)	$ 5,166,929	$ (2,612,002)	$ -		
24	Amortization	GMV-3 Schedule 18	130,320	64,440	(194,760)	0		
25	General Taxes	GMV-3 Schedule 19	2,417,258	(1,885,487)	(531,771)	0		
26	State income taxes	EJG-4 Schedule 1	1,536,145	(1,536,145)	0	0		
27	Federal income taxes	EJG-4 Schedule 1	6,039,432	(6,039,432)	0	0		
28								
29	Total operating expenses		$ 46,549,006	$ (15,829,759)	$ (30,719,247)	$ -		
30								
31	Utility Operating Income		$ (48,904,837)	$ 18,185,763	$ 30,719,074	$ -		
32								

Petitioner's Exhibit GMV-1

Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
for the Mooresville District
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Mooresville	Reference to Supporting Schedules	Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2 Schedule 1	$ 1,485,756	$ 43,446	$ 2	$ 1,529,204		
2								
3	Operating Expenses							
4	Operation and maintenance							
5	Labor	GMV-3 Schedule 2	$ 158,711	$ 7,060	$ 15,231	$ 181,002		
6	Purchased water	GMV-3 Schedule 3	0	0	0	0		
7	Purchased power	GMV-3 Schedule 4	55,565	0	0	55,565		
8	Chemicals	GMV-3 Schedule 5	15,844	(6,163)	0	9,681		
9	Waste disposal	GMV-3 Schedule 6	0	0	0	0		
10	Management fees	GMV-3 Schedule 7	0	0	211,879	211,879		
11	Group insurance	GMV-3 Schedule 8	(15,574)	85,779	2,530	72,736		
12	Pensions	GMV-3 Schedule 9	(7,737)	(6,898)	39,456	24,821		
13	Regulatory expense	GMV-3 Schedule 10	0	1,308	4,592	5,901		
14	Insurance, other than group	GMV-3 Schedule 11	(913)	0	21,254	20,341		
15	Customer accounting	GMV-3 Schedule 12	2,585	24,801	25,604	52,990		
16	Rents	GMV-3 Schedule 13	12,168	0	0	12,168		
17	General office expense	GMV-3 Schedule 14	18,786	0	7,273	26,059		
18	Miscellaneous	GMV-3 Schedule 15	35,989	26,659	27,790	90,438		
19	Maintenance expense	GMV-3 Schedule 16	31,371	0	3,078	34,449		
20								
21	Total operation and maintenance		$ 306,795	$ 132,547	$ 358,687	$ 798,029		
22								
23	Depreciation expense	GMV-3 Schedule 17	$ 218,527	$ 21,045	$ 34,217	$ 273,789		
24	Amortization	GMV-3 Schedule 18	0	0	2,551	2,551		
25	General Taxes	GMV-3 Schedule 19	250,870	(96,543)	6,966	161,293		
26	State income taxes	EJG-4 Schedule 1	0	19,346	0	19,346		
27	Federal income taxes	EJG-4 Schedule 1	0	59,549	0	59,549		
28								
29	Total operating expenses		$ 776,192	$ 135,944	$ 402,422	$ 1,314,558		
30								
31	Utility Operating Income		$ 709,564	$ (92,498)	$ (402,420)	$ 214,646		
32								

Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
for the Northwest District
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Northwest	Reference to Supporting Schedules		Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2	Schedule 1	$ 38,234,191	$ 757,572	$ 42	$ 38,991,805		
2									
3	Operating Expenses								
4	Operation and maintenance								
5	Labor	GMV-3	Schedule 2	$ 3,717,086	$ 545,804	$ 285,545	$ 4,548,435		
6	Purchased water	GMV-3	Schedule 3	423,943	110,000	0	533,943		
7	Purchased power	GMV-3	Schedule 4	1,603,925	0	0	1,603,925		
8	Chemicals	GMV-3	Schedule 5	393,938	96,403	0	490,341		
9	Waste disposal	GMV-3	Schedule 6	543,947	0	0	543,947		
10	Management fees	GMV-3	Schedule 7	0	0	3,972,326	3,972,326		
11	Group insurance	GMV-3	Schedule 8	(479,182)	1,990,442	47,441	1,558,702		
12	Pensions	GMV-3	Schedule 9	(190,113)	(35,991)	739,726	513,623		
13	Regulatory expense	GMV-3	Schedule 10	0	24,490	85,995	110,485		
14	Insurance, other than group	GMV-3	Schedule 11	(25,188)	0	397,990	372,802		
15	Customer accounting	GMV-3	Schedule 12	34,652	471,348	480,019	986,019		
16	Rents	GMV-3	Schedule 13	149,054	37,500	0	186,554		
17	General office expense	GMV-3	Schedule 14	149,770	0	136,356	286,126		
18	Miscellaneous	GMV-3	Schedule 15	1,193,456	315,937	521,016	2,030,409		
19	Maintenance expense	GMV-3	Schedule 16	1,167,918	223,038	57,699	1,448,655		
20									
21	Total operation and maintenance			$ 8,683,206	$ 3,778,972	$ 6,724,111	$ 19,186,289		
22									
23	Depreciation expense	GMV-3	Schedule 17	$ 4,482,675	$ 1,873,840	$ 640,724	$ 6,997,239		
24	Amortization	GMV-3	Schedule 18	2,915	1,345	47,833	52,093		
25	General Taxes	GMV-3	Schedule 19	5,462,161	2,645,625	130,603	8,238,389		
26	State income taxes	EJG-4	Schedule 1	0	123,283	0	123,283		
27	Federal income taxes	EJG-4	Schedule 1	0	98,623	0	98,623		
28									
29	Total operating expenses			$ 18,630,957	$ 8,521,688	$ 7,543,272	$ 34,695,916		
30									
31	Utility Operating Income			$ 19,603,234	$ (7,764,116)	$ (7,543,229)	$ 4,295,889		
32									

Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
for the Wabash District
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Wabash	Reference to Supporting Schedules	Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2 Schedule 1	$ 1,826,577	$ 112,142	$ 3	$ 1,938,722		
2								
3	Operating Expenses							
4	Operation and maintenance							
5	Labor	GMV-3 Schedule 2	$ 182,382	$ 31,341	$ 18,719	$ 232,442		
6	Purchased water	GMV-3 Schedule 3	0	0	0	0		
7	Purchased power	GMV-3 Schedule 4	161,076	12,886	0	173,962		
8	Chemicals	GMV-3 Schedule 5	9,310	638	0	9,948		
9	Waste disposal	GMV-3 Schedule 6	0	0	0	0		
10	Management fees	GMV-3 Schedule 7	0	0	260,401	260,401		
11	Group insurance	GMV-3 Schedule 8	(17,735)	98,997	3,110	84,372		
12	Pensions	GMV-3 Schedule 9	(8,191)	(3,969)	48,492	36,332		
13	Regulatory expense	GMV-3 Schedule 10	0	1,598	5,609	7,207		
14	Insurance, other than group	GMV-3 Schedule 11	(966)	0	25,959	24,993		
15	Customer accounting	GMV-3 Schedule 12	1,549	30,803	31,467	63,819		
16	Rents	GMV-3 Schedule 13	4,761	0	0	4,761		
17	General office expense	GMV-3 Schedule 14	22,701	0	8,939	31,640		
18	Miscellaneous	GMV-3 Schedule 15	63,918	7,857	34,155	105,930		
19	Maintenance expense	GMV-3 Schedule 16	115,574	2,400	3,782	121,756		
20								
21	Total operation and maintenance		$ 534,379	$ 182,552	$ 440,632	$ 1,157,563		
22								
23	Depreciation expense	GMV-3 Schedule 17	$ 303,404	$ (29,639)	$ 41,792	$ 315,557		
24	Amortization	GMV-3 Schedule 18	0	0	3,136	3,136		
25	General Taxes	GMV-3 Schedule 19	156,015	(3,415)	8,562	161,162		
26	State income taxes	EJG-4 Schedule 1	0	14,401	0	14,401		
27	Federal income taxes	EJG-4 Schedule 1	0	34,295	0	34,295		
28								
29	Total operating expenses		$ 993,798	$ 198,194	$ 494,121	$ 1,686,113		
30								
31	Utility Operating Income		$ 832,779	$ (86,052)	$ (494,119)	$ 252,608		
32								

Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
for the Warsaw District
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Warsaw	Reference to Supporting Schedules	Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2 Schedule 1	$ 2,265,607	$ 25,204	$ 3	$ 2,290,814		
2								
3	Operating Expenses							
4	Operation and maintenance							
5	Labor	GMV-3 Schedule 2	$ 213,370	$ 47,371	$ 18,137	$ 278,878		
6	Purchased water	GMV-3 Schedule 3	0	0	0	0		
7	Purchased power	GMV-3 Schedule 4	147,105	0	0	147,105		
8	Chemicals	GMV-3 Schedule 5	29,122	2,783	0	31,905		
9	Waste disposal	GMV-3 Schedule 6	0	0	0	0		
10	Management fees	GMV-3 Schedule 7	0	0	252,314	252,314		
11	Group insurance	GMV-3 Schedule 8	(15,108)	108,629	3,013	96,534		
12	Pensions	GMV-3 Schedule 9	(6,695)	(192)	46,986	40,099		
13	Regulatory expense	GMV-3 Schedule 10	0	1,548	5,434	6,982		
14	Insurance, other than group	GMV-3 Schedule 11	(864)	0	25,148	24,284		
15	Customer accounting	GMV-3 Schedule 12	1,531	29,214	30,490	61,235		
16	Rents	GMV-3 Schedule 13	17,876	0	0	17,876		
17	General office expense	GMV-3 Schedule 14	23,438	0	8,661	32,099		
18	Miscellaneous	GMV-3 Schedule 15	87,250	1,814	33,094	122,158		
19	Maintenance expense	GMV-3 Schedule 16	129,471	21,757	3,665	154,893		
20								
21	Total operation and maintenance		$ 626,496	$ 212,924	$ 426,942	$ 1,266,361		
22								
23	Depreciation expense	GMV-3 Schedule 17	$ 321,833	$ 27,729	$ 40,486	$ 390,048		
24	Amortization	GMV-3 Schedule 18	0	0	3,038	3,038		
25	General Taxes	GMV-3 Schedule 19	184,333	(7,031)	8,296	185,598		
26	State income taxes	EJG-4 Schedule 1	0	27,891	0	27,891		
27	Federal income taxes	EJG-4 Schedule 1	0	82,632	0	82,632		
28								
29	Total operating expenses		$ 1,132,662	$ 344,145	$ 478,762	$ 1,955,569		
30								
31	Utility Operating Income		$ 1,132,945	$ (318,941)	$ (478,759)	$ 335,245		
32								

Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
for the West Lafayette District
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	W. Lafayette	Reference to Supporting Schedules		Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2	Schedule 1	$ 3,700,975	$ (10,896)	$ 6	$ 3,690,085		
2									
3	Operating Expenses								
4	Operation and maintenance								
5	Labor	GMV-3	Schedule 2	$ 324,928	$ 80,804	$ 42,204	$ 447,936		
6	Purchased water	GMV-3	Schedule 3	0	0	0	0		
7	Purchased power	GMV-3	Schedule 4	165,442	11,764	0	177,206		
8	Chemicals	GMV-3	Schedule 5	34,073	10,350	0	44,423		
9	Waste disposal	GMV-3	Schedule 6	0	0	0	0		
10	Management fees	GMV-3	Schedule 7	0	0	587,115	587,115		
11	Group insurance	GMV-3	Schedule 8	(34,352)	195,231	7,012	167,891		
12	Pensions	GMV-3	Schedule 9	(15,794)	(3,694)	109,332	89,845		
13	Regulatory expense	GMV-3	Schedule 10	0	3,616	12,691	16,306		
14	Insurance, other than group	GMV-3	Schedule 11	(1,864)	0	58,733	56,869		
15	Customer accounting	GMV-3	Schedule 12	879	20,454	70,947	92,280		
16	Rents	GMV-3	Schedule 13	6,068	0	0	6,068		
17	General office expense	GMV-3	Schedule 14	31,076	0	20,154	51,230		
18	Miscellaneous	GMV-3	Schedule 15	93,801	23,887	77,007	194,695		
19	Maintenance expense	GMV-3	Schedule 16	89,117	20,172	8,528	117,817		
20									
21	Total operation and maintenance			$ 693,374	$ 362,584	$ 993,723	$ 2,049,681		
22									
23	Depreciation expense	GMV-3	Schedule 17	$ 610,704	$ 47,163	$ 94,554	$ 752,421		
24	Amortization	GMV-3	Schedule 18	0	0	7,070	7,070		
25	General Taxes	GMV-3	Schedule 19	322,567	8,641	19,303	350,511		
26	State income taxes	EJG-4	Schedule 1	0	40,787	0	40,787		
27	Federal income taxes	EJG-4	Schedule 1	0	122,117	0	122,117		
28									
29	Total operating expenses			$ 1,626,645	$ 581,292	$ 1,114,650	$ 3,322,587		
30									
31	Utility Operating Income			$ 2,074,330	$ (592,188)	$ (1,114,644)	$ 367,498		
32									

Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
for the Winchester District
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Winchester	Reference to Supporting Schedules		Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2	Schedule 1	$ 809,841	$ 20,398	$ 1	$ 830,240		
2									
3	Operating Expenses								
4	Operation and maintenance								
5	Labor	GMV-3	Schedule 2	$ 81,015	$ 1,895	$ 8,255	$ 91,165		
6	Purchased water	GMV-3	Schedule 3	0	0	0	0		
7	Purchased power	GMV-3	Schedule 4	17,401	0	0	17,401		
8	Chemicals	GMV-3	Schedule 5	5,997	1,264	0	7,261		
9	Waste disposal	GMV-3	Schedule 6	22,729	0	0	22,729		
10	Management fees	GMV-3	Schedule 7	0	0	114,835	114,835		
11	Group insurance	GMV-3	Schedule 8	(1,674)	41,344	1,371	41,042		
12	Pensions	GMV-3	Schedule 9	(789)	(7,018)	21,385	13,577		
13	Regulatory expense	GMV-3	Schedule 10	0	709	2,489	3,198		
14	Insurance, other than group	GMV-3	Schedule 11	(93)	0	11,519	11,426		
15	Customer accounting	GMV-3	Schedule 12	822	13,515	13,877	28,213		
16	Rents	GMV-3	Schedule 13	(894)	0	0	(894)		
17	General office expense	GMV-3	Schedule 14	8,164	0	3,942	12,106		
18	Miscellaneous	GMV-3	Schedule 15	33,359	18,666	15,062	67,087		
19	Maintenance expense	GMV-3	Schedule 16	32,333	2,500	1,668	36,501		
20									
21	Total operation and maintenance			$ 198,370	$ 72,875	$ 194,403	$ 465,648		
22									
23	Depreciation expense	GMV-3	Schedule 17	$ 141,895	$ 678	$ 18,545	$ 161,118		
24	Amortization	GMV-3	Schedule 18	0	0	1,383	1,383		
25	General Taxes	GMV-3	Schedule 19	67,776	17,140	3,776	88,691		
26	State income taxes	EJG-4	Schedule 1	0	5,773	0	5,773		
27	Federal income taxes	EJG-4	Schedule 1	0	14,258	0	14,258		
28									
29	Total operating expenses			$ 408,041	$ 110,724	$ 218,107	$ 736,871		
30									
31	Utility Operating Income			$ 401,800	$ (90,326)	$ (218,105)	$ 93,369		
32									

Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
Total Sewer Districts
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Total Sewer	Reference to Supporting Schedules		Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2	Schedule 1	$ 339,412	$ (18,808)	$ -	$ 320,604		
2									
3	Operating Expenses								
4	Operation and maintenance								
5	Labor	GMV-3	Schedule 2	$ 21,017	$ 24,457	$ -	$ 45,474		
6	Purchased water	GMV-3	Schedule 3	0	0	0	0		
7	Purchased power	GMV-3	Schedule 4	2,086	146	0	2,232		
8	Chemicals	GMV-3	Schedule 5	4,052	(743)	0	3,309		
9	Waste disposal	GMV-3	Schedule 6	149,426	0	0	149,426		
10	Management fees	GMV-3	Schedule 7	0	0	0	0		
11	Group insurance	GMV-3	Schedule 8	0	17,631	0	17,631		
12	Pensions	GMV-3	Schedule 9	0	2,268	0	2,268		
13	Regulatory expense	GMV-3	Schedule 10	0	160	561	721		
14	Insurance, other than group	GMV-3	Schedule 11	0	0	2,596	2,596		
15	Customer accounting	GMV-3	Schedule 12	7,971	3,092	0	11,063		
16	Rents	GMV-3	Schedule 13	0	0	0	0		
17	General office expense	GMV-3	Schedule 14	16	0	0	16		
18	Miscellaneous	GMV-3	Schedule 15	16,699	794	0	17,493		
19	Maintenance expense	GMV-3	Schedule 16	2,505	0	0	2,505		
20									
21	Total operation and maintenance			$ 203,772	$ 47,805	$ 3,157	$ 254,733		
22									
23	Depreciation expense	GMV-3	Schedule 17	$ 20,993	$ 4,406	$ 4,179	$ 29,578		
24	Amortization	GMV-3	Schedule 18	1,130	94	0	1,224		
25	General Taxes	GMV-3	Schedule 19	13,121	49,333	0	62,454		
26	State income taxes	EJG-4	Schedule 1	0	(3,356)	0	(3,356)		
27	Federal income taxes	EJG-4	Schedule 1	0	(15,162)	0	(15,162)		
28									
29	Total operating expenses			$ 239,016	$ 83,119	$ 7,336	$ 329,471		
30									
31	Utility Operating Income			$ 100,396	$ (101,927)	$ (7,336)	$ (8,867)		
32									

Indiana-American Water Company
Indiana-American Water Company
Cause No. 43187
Pro Forma Income Statement
for Water Groups One and Two
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.	Total Water Groups	Reference to Supporting Schedules	Test Year Ended June 2006	Adjustments	Corporate Allocation	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
1	Operating Revenues	GMV-2 Schedule 1	$ 90,915,940	$ 1,430,777	$ 115	$ 92,346,832		
2								
3	Operating Expenses							
4	Operation and maintenance							
5	Labor	GMV-3 Schedule 2	$ 6,255,237	$ 1,020,664	$ 774,552	$ 8,050,453		
6	Purchased water	GMV-3 Schedule 3	191,857	0	0	191,857		
7	Purchased power	GMV-3 Schedule 4	3,024,608	143,024	0	3,167,632		
8	Chemicals	GMV-3 Schedule 5	797,471	240,256	0	1,037,727		
9	Waste disposal	GMV-3 Schedule 6	526,616	0	0	526,616		
10	Management fees	GMV-3 Schedule 7	10,523	(10,523)	10,775,095	10,775,095		
11	Group insurance	GMV-3 Schedule 8	(386,423)	3,170,499	128,686	2,912,763		
12	Pensions	GMV-3 Schedule 9	(169,184)	(186,746)	2,006,537	1,650,607		
13	Regulatory expense	GMV-3 Schedule 10	0	66,448	233,199	299,647		
14	Insurance, other than group	GMV-3 Schedule 11	(21,637)	0	1,079,262	1,057,625		
15	Customer accounting	GMV-3 Schedule 12	49,388	1,278,226	1,302,070	2,629,684		
16	Rents	GMV-3 Schedule 13	167,555	0	0	167,555		
17	General office expense	GMV-3 Schedule 14	354,830	0	369,872	724,702		
18	Miscellaneous	GMV-3 Schedule 15	1,961,583	370,438	1,413,276	3,745,297		
19	Maintenance expense	GMV-3 Schedule 16	1,432,494	75,516	156,510	1,664,520		
20								
21	Total operation and maintenance		$ 14,194,918	$ 6,167,803	$ 18,239,059	$ 38,601,779		
22								
23	Depreciation expense	GMV-3 Schedule 17	$ 16,265,002	$ (891,493)	$ 1,737,504	$ 17,111,013		
24	Amortization	GMV-3 Schedule 18	126,555	95,937	129,749	352,241		
25	General Taxes	GMV-3 Schedule 19	8,862,013	(941,161)	354,266	8,275,118		
26	State income taxes	EJG-4 Schedule 1	0	1,738,803	0	1,738,803		
27	Federal income taxes	EJG-4 Schedule 1	0	5,579,226	0	5,579,226		
28								
29	Total operating expenses		$ 39,448,488	$ 11,749,115	$ 20,460,577	$ 71,658,180		
30								
31	Utility Operating Income		$ 51,467,452	$ (10,318,338)	$ (20,460,462)	$ 20,688,652		
32								

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Revenues
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Present Rates Revenue:	$ 141,938,306	$ 173	$ 92,346,717	$ 1,529,202	$ 38,991,763	$ 1,938,719	$ 2,290,811	$ 3,690,079	$ 830,239	$ 320,604
2											
3	Test Year Revenue:	137,222,468	(2,355,831)	90,915,940	1,485,756	38,234,191	1,826,577	2,265,607	3,700,975	809,841	339,412
4											
5	Adjustment Before Allocation:	$ 4,715,838	$ 2,356,004	$ 1,430,777	$ 43,446	$ 757,572	$ 112,142	$ 25,204	$ (10,896)	$ 20,398	$ (18,808)
6											
7											
8	Pro Forma Present Rates District Revenue:	$ 141,938,306	$ 173	$ 92,346,717	$ 1,529,202	$ 38,991,763	$ 1,938,719	$ 2,290,811	$ 3,690,079	$ 830,239	$ 320,604
9											
10	Allocation of Corporate:	-	(173)	117	2	41	3	3	6	1	-
11											
12	Pro Forma Present Rates Revenue:	$ 141,938,306	$ -	$ 92,346,834	$ 1,529,204	$ 38,991,804	$ 1,938,722	$ 2,290,814	$ 3,690,085	$ 830,240	$ 320,604
13											
14											
15											
16	Detail of Adjustment Before Allocation:										
17	Bill Analysis Reconciliation:	$ (16,322)	$ -	$ (31,415)	$ (73)	$ 12,620	$ (717)	$ 3,426	$ (267)	$ (79)	$ 184
18	Adjustment for Unbilled Revenue:	3,757,006	2,356,004	966,406	3,686	425,360	12,222	(8,869)	25,841	(693)	(22,951)
19	Number of Days Adjustment:	(1,566,296)	-	(1,041,121)	(116)	(364,448)	(23,039)	(27,624)	(102,539)	(7,359)	(50)
20	Distribution System Improvement Charge Adjustment:	1,766,029	-	1,048,959	28,171	547,600	44,736	33,940	36,847	25,776	-
21	Annualize Residential Customer Growth:	813,652	-	519,160	11,367	142,016	81,541	21,622	32,379	2,612	2,955
22	Annualize Commercial Customer Growth:	(38,231)	-	(31,212)	411	(5,576)	(2,601)	2,709	(3,157)	141	1,054
23		-	-	-	-	-	-	-	-	-	-
24											
25											
26											
27	Total Adjustment Before Allocation:	$ 4,715,838	$ 2,356,004	$ 1,430,777	$ 43,446	$ 757,572	$ 112,142	$ 25,204	$ (10,896)	$ 20,398	$ (18,808)

Description	TOTAL Adjustments	Corporate	Total Water Groups	Mooresville	Northwest Indiana	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
Residential	$ (44,982)	$ -	$ (43,893)	$ (45)	$ (1,260)	$ 56	$ (24)	$ 56	$ (57)	$ 185
Commercial	(33,160)	-	(28,560)	(685)	(2,105)	(78)	(221)	(817)	(696)	2
Industrial	(9,911)	-	(9,437)	(2)	59	(489)	(43)	-	1	-
Other Public Authority	1,921	-	(1,234)	(6)	2,709	(210)	(2)	(7)	674	(3)
Sales for Resale	(4,307)	-	(4,622)	-	315	-	-	-	-	-
Plant Sales	-	-	-	-	-	-	-	-	-	-
Miscellaneous	11,036	-	9,635	706	-	15	88	592	-	-
Private Fire Service	4,083	-	2,599	(41)	1,615	(24)	56	(122)	-	-
Public Fire Service	58,999	-	44,097	-	11,287	13	3,572	31	(1)	-
Total Revenues/Sales	$ (16,322)	$ -	$ (31,415)	$ (73)	$ 12,620	$ (717)	$ 3,426	$ (267)	$ (79)	$ 184
Forfeited Discounts	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Operating Revenues	-	-	-	-	-	-	-	-	-	-
Unbilled Revenue	3,757,006	2,356,004	966,406	3,686	425,360	12,222	(8,869)	25,841	(693)	(22,951)
Pro Forma Operating Revenues	$ 3,740,684	$ 2,356,004	$ 934,991	$ 3,613	$ 437,980	$ 11,505	$ (5,443)	$ 25,574	$ (772)	$ (22,767)

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Distribution System Improvement Charge ("DSIC") Revenues
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester
1	Test Year Water Sales (100 cf):	49,829,431.1	0.0	29,523,021.0	466,436.5	15,769,207.2	805,923.0	1,236,880.2	1,793,432.0	234,531.2
2										
3	Test Year DSIC Rate:	$ 0.0388	$ -	$ 0.0189	$ -	$ 0.0199	$ -	$ -	$ -	$ -
4										
5	Test Year DSIC Revenue:	$ 872,213	$ -	$ 558,406	$ -	$ 313,807	$ -	$ -	$ -	$ -
6										
7										
8	Proposed Water Sales (100 cf):	49,323,616.6	0.0	29,202,453.3	466,408.9	15,661,959.3	797,428.0	1,225,288.1	1,738,080.9	231,998.1
9										
10	Proposed DSIC Rate:	$ 0.3865	$ -	$ 0.0550	$ 0.0604	$ 0.0550	$ 0.0561	$ 0.0277	$ 0.0212	$ 0.1111
11										
12	Proposed DSIC Revenue:	$ 2,638,242	$ -	$ 1,607,365	$ 28,171	$ 861,407	$ 44,736	$ 33,940	$ 36,847	$ 25,776
13										
14										
15	Pro Forma Adjusted DSIC Revenue:	$ 1,766,029	$ -	$ 1,048,959	$ 28,171	$ 547,600	$ 44,736	$ 33,940	$ 36,847	$ 25,776

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Distribution System Improvement Charge ("DSIC") Revenues
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester
1	Test Year Water Sales (100 cf):	49,829,431.1	0.0	29,523,021.0	466,436.5	15,769,207.2	805,923.0	1,236,880.2	1,793,432.0	234,531.2
2										
3	Test Year DSIC Rate:	$ 0.0388	$ -	$ 0.0189	$ -	$ 0.0199	$ -	$ -	$ -	$ -
4										
5	Test Year DSIC Revenue:	$ 872,213	$ -	$ 558,406	$ -	$ 313,807	$ -	$ -	$ -	$ -
6										
7										
8	Proposed Water Sales (100 cf):	49,323,616.6	0.0	29,202,453.3	466,408.9	15,661,959.3	797,428.0	1,225,288.1	1,738,080.9	231,998.1
9										
10	Proposed DSIC Rate:	$ 0.3865	$ -	$ 0.0550	$ 0.0604	$ 0.0550	$ 0.0561	$ 0.0277	$ 0.0212	$ 0.1111
11										
12	Proposed DSIC Revenue:	$ 2,638,242	$ -	$ 1,607,365	$ 28,171	$ 861,407	$ 44,736	$ 33,940	$ 36,847	$ 25,776
13										
14										
15	Pro Forma Adjusted DSIC Revenue:	$ 1,766,029	$ -	$ 1,048,959	$ 28,171	$ 547,600	$ 44,736	$ 33,940	$ 36,847	$ 25,776

Description	TOTAL Company	Corporate	Total Water Groups	Mooresville	Northwest Indiana	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
Residential Growth:										
Residential Count as of June 30, 2006:	250,089	0	165,408	3,276	63,100	3,901	3,270	8,960	1,724	450
Residential Count as of December 31, 2006:	251,102	0	165,978	3,276	63,438	3,887	3,284	9,052	1,739	448
Difference:	1,013	0	570	0	338	(14)	14	92	15	(2)
Average Residential Count as of June 30, 2006:	246,962	0	163,050	3,209	62,705	3,891	3,134	8,807	1,719	446
Residential Count as of December 31, 2006:	251,102	0	165,978	3,276	63,438	3,887	3,284	9,052	1,739	448
Pro Forma Customer Additions - Residential:	4,140	0	2,928	67	733	(4)	150	245	20	2
Total Service Charges to be added:	59,538	0	38,581	871	9,601	4,919	1,970	3,296	247	53
Total Sprinkler Meters to be added:	3,690	0	2,412	42	690	150	114	270	12	0
Total Pro Forma Service Charges:	$ 813,652	$ -	$ 519,160	$ 11,367	$ 142,016	$ 81,541	$ 21,622	$ 32,379	$ 2,612	$ 2,955
Commercial Growth:										
Commercial Count as of June 30, 2006:	29,001	0	20,262	389	5,467	555	911	1,178	226	13
Commercial Count as of December 31, 2006:	29,000	0	20,260	388	5,478	547	922	1,164	228	13
Difference:	(2)	0	(3)	(1)	11	(8)	11	(14)	2	0
Average Commercial Count as of June 30, 2006:	29,182	0	20,413	386	5,496	558	902	1,187	227	13
Commercial Count as of December 31, 2006:	29,000	0	20,260	388	5,478	547	922	1,164	228	13
Pro Forma Customer Additions - Commercial:	(182)	0	(154)	3	(18)	(11)	20	(23)	2	0
Total Service Charges to be added:	(3,126)	0	(2,598)	33	(362)	(156)	254	(330)	14	19
Total Sprinkler Meters to be added:	(282)	0	(222)	0	(42)	(6)	6	(18)	0	0
Total Pro Forma Service Charges:	$ (38,231)	$ -	$ (31,212)	$ 411	$ (5,576)	$ (2,601)	$ 2,709	$ (3,157)	$ 141	$ 1,054

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Labor
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Labor Expense:	$ 13,875,785	$ 1,162,642	$ 7,275,901	$ 165,771	$ 4,262,890	$ 213,723	$ 260,741	$ 405,732	$ 82,910	$ 45,474
2											
3	Less: Test Year Expense:	11,915,051	961,305	6,255,237	158,711	3,717,086	182,382	213,370	324,928	81,015	21,017
4											
5	Adjustment Before Allocation:	$ 1,960,734	$ 201,337	$ 1,020,664	$ 7,060	$ 545,804	$ 31,341	$ 47,371	$ 80,804	$ 1,895	$ 24,457
6											
7											
8	Pro Forma District Labor Expense:	$ 13,875,785	$ 1,162,642	$ 7,275,901	$ 165,771	$ 4,262,890	$ 213,723	$ 260,741	$ 405,732	$ 82,910	$ 45,474
9											
10	Allocation of Corporate:	0	(961,305)	640,421	12,593	236,097	15,477	14,996	34,895	6,825	-
11											
12	Pro Forma Labor Expense:	$ 13,875,785	$ 201,337	$ 7,916,323	$ 178,365	$ 4,498,986	$ 229,200	$ 275,737	$ 440,628	$ 89,736	$ 45,474
13											
14											
15	Detail of Adjustment Before Allocation:										
16	Annualize Labor Expense:	$ 1,766,097	$ 201,337	$ 897,266	$ 99	$ 510,729	$ 28,160	$ 42,443	$ 63,576	$ (1,611)	$ 24,099
17	4% Non-Union Pay Increase in April of 2007:	194,637	-	123,398	6,961	35,075	3,182	4,928	17,228	3,506	358
18											
19											
21											
21											
22	Total Adjustment:	$ 1,960,734	$ 201,337	$ 1,020,664	$ 7,060	$ 545,804	$ 31,341	$ 47,371	$ 80,804	$ 1,895	$ 24,457

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Purchased Water Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Purchased Water Expense:	$ 725,800	$ -	$ 191,857	$ -	$ 533,943	$ -	$ -	$ -	$ -	$ -
2											
3	Less - Test Year Purchased Water Expense:	615,800	-	191,857	-	423,943	-	-	-	-	-
4											
5	Adjustment before Allocations:	$ 110,000	$ -	$ -	$ -	$ 110,000	$ -	$ -	$ -	$ -	$ -
6											
7											
8											
9	Pro Forma District Purchased Water Expense:	$ 725,800	$ -	$ 191,857	$ -	$ 533,943	$ -	$ -	$ -	$ -	$ -
10											
11	Allocation of Corporate:	-	-	-	-	-	-	-	-	-	-
12											
13	Pro Forma Purchased Water Expense:	$ 725,800	$ -	$ 191,857	$ -	$ 533,943	$ -	$ -	$ -	$ -	$ -
14											
15											
16	Detail of Adjustments:										
17	Increase from East Chicago, IN for NW Operations	$ 110,000	$ -	$ -	$ -	$ 110,000	$ -	$ -	$ -	$ -	$ -
18		-	-	-	-	-	-	-	-	-	-
19		-	-	-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-	-	-
21											
22											
23	Pro Forma Adjustments Before Allocations:	$ 110,000	$ -	$ -	$ -	$ 110,000	$ -	$ -	$ -	$ -	$ -

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Fuel and Power Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Fuel and Power Expense:	$ 5,345,028	$ -	$ 3,167,632	$ 55,565	$ 1,603,925	$ 173,962	$ 147,105	$ 177,206	$ 17,401	$ 2,232
2											
3	Less - Test Year Fuel and Power Expense:	5,268,575	91,367	3,024,608	55,565	1,603,925	161,076	147,105	165,442	17,401	2,086
4											
5	Adjustment before Allocations:	$ 76,453	$ (91,367)	$ 143,024	$ -	$ -	$ 12,886	$ -	$ 11,764	$ -	$ 146
6											
7											
8											
9	Pro Forma District Fuel and Power Expense:	$ 5,345,028	$ -	$ 3,167,632	$ 55,565	$ 1,603,925	$ 173,962	$ 147,105	$ 177,206	$ 17,401	$ 2,232
10											
11	Allocation of Corporate:	-	-	-	-	-	-	-	-	-	-
12											
13	Pro Forma Fuel and Power Expense:	$ 5,345,028	$ -	$ 3,167,632	$ 55,565	$ 1,603,925	$ 173,962	$ 147,105	$ 177,206	$ 17,401	$ 2,232
14											
15											
16	Detail of Adjustments:										
17	Elimination of one-time adjustments to Corporate:	$ (91,367)	$ (91,367)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
18	Adjustment for Planned Power Increases:	167,820	-	143,024	-	-	12,886	-	11,764	-	146
19		-	-	-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-	-	-
21											
22											
23	Pro Forma Adjustments Before Allocations:	$ 76,453	$ (91,367)	$ 143,024	$ -	$ -	$ 12,886	$ -	$ 11,764	$ -	$ 146

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Chemicals
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Chemicals:	$ 1,634,595	$ -	$ 1,037,727	$ 9,681	$ 490,341	$ 9,948	$ 31,905	$ 44,423	$ 7,261	$ 3,309
2											
3	Less - Test Year Chemical Expense:	1,289,807	-	797,471	15,844	393,938	9,310	29,122	34,073	5,997	4,052
4											
5	Adjustment before Allocations:	$ 344,788	$ -	$ 240,256	$ (6,163)	$ 96,403	$ 638	$ 2,783	$ 10,350	$ 1,264	$ (743)
6											
7											
8											
9	Pro Forma District Chemicals Expense:	$ 1,634,595	$ -	$ 1,037,727	$ 9,681	$ 490,341	$ 9,948	$ 31,905	$ 44,423	$ 7,261	$ 3,309
10											
11	Allocation of Corporate:	-	-	-	-	-	-	-	-	-	-
12											
13	Pro Forma Chemicals Expense:	$ 1,634,595	$ -	$ 1,037,727	$ 9,681	$ 490,341	$ 9,948	$ 31,905	$ 44,423	$ 7,261	$ 3,309
14											
15											
16	Detail of Adjustments:										
17	Adjustment to Annualize at 2006 Bid Prices:	$ 194,478	$ -	$ 161,910	$ (6,874)	$ 29,735	$ (111)	$ 3,153	$ 6,002	$ 1,386	$ (723)
18	Adjustment to Annualize at 2007 Bid Prices:	150,310	-	78,346	711	66,668	749	(370)	4,348	(122)	(20)
19		-	-	-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-	-	-
21											
22											
	Pro Forma Adjustments Before Allocations:	$ 344,788	$ -	$ 240,256	$ (6,163)	$ 96,403	$ 638	$ 2,783	$ 10,350	$ 1,264	$ (743)

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Waste Disposal Expenses
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Waste Disposal Expense:	$ 1,242,718	$ -	$ 526,616	$ -	$ 543,947	$ -	$ -	$ -	$ 22,729	$ 149,426
2											
3	Test Year Waste Disposal Expense:	1,242,718	-	526,616	-	543,947	-	-	-	22,729	149,426
4											
5	Adjustment Before Allocations:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6											
7											
8	Pro Forma District Adjustment:	$ 1,242,718	$ -	$ 526,616	$ -	$ 543,947	$ -	$ -	$ -	$ 22,729	$ 149,426
9											
10	Allocation of Corporate:	-	-	-	-	-	-	-	-	-	-
11											
12	Pro Forma Waste Disposal Expense:	$ 1,242,718	$ -	$ 526,616	$ -	$ 543,947	$ -	$ -	$ -	$ 22,729	$ 149,426
13											
14											
15											
16	Details of Adjustment Before Allocations:										
17	(none)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
18		-									
19											
20	Total Adjustment Before Allocation:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Petitioner nedule GMV-3
Schedule 7

Indiana-American Water Company
Cause No. 43187
Pro Forma Adjustment of Support Services (Management Fees)
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro forma management fees	$16,173,964	$16,173,964	$0	$0	$0	$0	$0	$0	$0	$0
2											
3	Less test year	15,327,484	15,316,961	10,523	0	0	0	0	0	0	0
4											
5	Pro forma adjustment before allocation	846,480	857,003	(10,523)	0	0	0	0	0	0	0
6											
7											
8											
9	Pro forma district expense	16,173,964	16,173,964	0	0	0	0	0	0	0	0
10											
11	Allocation of Corporate	0	(16,173,964)	10,775,095	211,879	3,972,326	260,401	252,314	587,115	114,835	0
12											
13	Pro forma management fees expense	16,173,964	0	10,775,095	211,879	3,972,326	260,401	252,314	587,115	114,835	0
14											
15	Other Known One-Time Cost	(390,586)	(380,063)	(10,523)	0	0	0	0	0	0	0
16	Service Company Cost Not Allowed	(13,020)	(13,020)	0	0	0	0	0	0	0	0
17	FICA Tax Adjustment Related to Wage Increases	26,931	26,931	0	0	0	0	0	0	0	0
18	Labor Related Rate Increases	352,042	352,042	0	0	0	0	0	0	0	0
19	Service Company Additional Ongoing Costs	871,113	871,113	0	0	0	0	0	0	0	0
21											
21	Total Adjustment	$ 1,237,066	$ 1,237,066	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
22											
23											
24											
25	(1) Items such as donations, community service expenses, etc.										
26											

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Group Insurance Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Group Insurance Expense:	$ 4,951,669	$ 193,165	$ 2,784,076	$ 70,205	$ 1,511,260	$ 81,262	$ 93,521	$ 160,879	$ 39,670	$ 17,631
2											
3	Less: Test Year Expense:	4,062,751	5,012,799	(386,423)	(15,574)	(479,182)	(17,735)	(15,108)	(34,352)	(1,674)	-
4											
5	Adjustment Before Allocation:	$ 888,918	$ (4,819,634)	$ 3,170,499	$ 85,779	$ 1,990,442	$ 98,997	$ 108,629	$ 195,231	$ 41,344	$ 17,631
6											
7											
8	Pro Forma Group Insurance Expense:	$ 4,951,669	$ 193,165	$ 2,784,076	$ 70,205	$ 1,511,260	$ 81,262	$ 93,521	$ 160,879	$ 39,670	$ 17,631
9											
10	Allocation of Corporate:	0	(5,012,799)	2,893,889	72,184	1,670,265	83,212	96,246	150,885	37,095	9,023
11											
12	Pro Forma Group Insurance Expense:	$ 4,951,669	$ (4,819,634)	$ 5,677,965	$ 142,390	$ 3,181,525	$ 164,474	$ 189,766	$ 311,765	$ 76,765	$ 26,654
13											
14											
15	Detail of Adjustment Before Allocation:										
16	Adjustment of Group Insurance Expense:	$ 1,017,127	$ (2,534,895)	$ 1,995,511	$ 56,232	$ 1,205,209	$ 61,783	$ 67,134	$ 124,860	$ 29,414	$ 11,879
17	Adjustment for FAS 106 Expense:	(128,209)	(2,284,739)	1,174,988	29,547	785,233	37,214	41,495	70,371	11,930	5,752
18											
19											
21											
21											
22	Total Adjustment:	$ 888,918	$ (4,819,634)	$ 3,170,499	$ 85,779	$ 1,990,442	$ 98,997	$ 108,629	$ 195,231	$ 41,344	$ 17,631

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Pension Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Pension Expense:	$ 2,371,171	$ 3,011,914	$ (355,930)	$ (14,635)	$ (226,104)	$ (12,160)	$ (6,887)	$ (19,488)	$ (7,807)	$ 2,268
2											
3	Less: Test Year Pension Expense:	2,613,411	3,011,914	(169,184)	(7,737)	(190,113)	(8,191)	(6,695)	(15,794)	(789)	-
4											
5	Adjustment Before Allocation:	$ (242,240)	$ -	$ (186,746)	$ (6,898)	$ (35,991)	$ (3,969)	$ (192)	$ (3,694)	$ (7,018)	$ 2,268
6											
7											
8	Pro Forma District Pension Expense:	$ 2,371,171	$ 3,011,914	$ (355,930)	$ (14,635)	$ (226,104)	$ (12,160)	$ (6,887)	$ (19,488)	$ (7,807)	$ 2,268
9											
10	Allocation of Corporate:	0	(3,011,914)	1,738,778	43,372	1,003,570	49,998	57,829	90,659	22,288	5,421
11											
12	Pro Forma Pension Expense:	$ 2,371,171	$ -	$ 1,382,848	$ 28,737	$ 777,466	$ 37,838	$ 50,941	$ 71,171	$ 14,481	$ 7,689
13											
14											
15	Detail of Adjustment Before Allocation:										
16	Annualize Pension Expense:	$ (242,240)	$ -	$ (186,746)	$ (6,898)	$ (35,991)	$ (3,969)	$ (192)	$ (3,694)	$ (7,018)	$ 2,268
17											
18											
19											
21											
21											
22	Total Adjustment:	$ (242,240)	$ -	$ (186,746)	$ (6,898)	$ (35,991)	$ (3,969)	$ (192)	$ (3,694)	$ (7,018)	$ 2,268

Indiana-American Water Company
Cause Number 43187
Pro Forma Adjustment of Rate Case Expense
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Adjustment of Regulatory Expense										
2											
3	Pro forma regulatory expense	$ 900,894	$ 900,894	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4	Annual regulatory expense amortized										
5	over a 24 month period	$ 450,447	$ 450,447	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	Test year regulatory expense	350,570	350,570	-	-	-	-	-	-	-	-
7											
8	Adjustment before allocations	$ (250,693)	$ (250,693)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
9											
10	Pro forma district regulatory expense	$ 99,877	$ 99,877	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11	Allocation of Corporate	0	(99,877)	66,448	1,308	24,490	1,598	1,548	3,616	709	$ 160
12											
13	Pro forma regulatory expense	$ 99,877	$ -	$ 66,448	$ 1,308	$ 24,490	$ 1,598	$ 1,548	$ 3,616	$ 709	$ 160
14											
15											
16											
17											
18											
19											
21											
21											
22											
23											

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Insurance Other Than Group Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Insurance Other Than Group Expense:	$ 1,570,937	$ 1,622,462	$ (21,637)	$ (913)	$ (25,188)	$ (966)	$ (864)	$ (1,864)	$ (93)	$ -
2											
3	Less - Test Year Insurance Other Than Group Expense:	1,590,166	1,641,691	(21,637)	(913)	(25,188)	(966)	(864)	(1,864)	(93)	-
4											
5	Adjustment before Allocations:	$ (19,229)	$ (19,229)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6											
7											
8											
9	Pro Forma District Insurance Other Than Group Expense:	$ 1,570,937	$ 1,622,462	$ (21,637)	$ (913)	$ (25,188)	$ (966)	$ (864)	$ (1,864)	$ (93)	$ -
10											
11	Allocation of Corporate:	0	(1,622,462)	1,079,262	21,254	397,990	25,959	25,148	58,733	11,519	2,596
12											
13	Pro Forma Insurance Other Than Group Expense:	$ 1,570,937	$ -	$ 1,057,625	$ 20,341	$ 372,802	$ 24,993	$ 24,284	$ 56,869	$ 11,426	$ 2,596
14											
15											
16	Detail of Adjustments:										
17	Adjust General Liability Insurance to 2006 rates:	$ (27,221)	$ (27,221)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
18	Adjust Worker's Compensation Insurance to 2006 rates:	31,879	31,879	-	-	-	-	-	-	-	-
19	Adjust All Risk & Personal Prop. Insurance to 2006 rates:	(23,887)	(23,887)	-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-	-	-
21											
22											
23	Pro Forma Adjustments Before Allocations:	$ (19,229)	$ (19,229)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
24											
25											

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Customer Accounting Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Customer Accounting Expense:	$ 3,925,304	$ 1,954,473	$ 1,327,614	$ 27,386	$ 506,000	$ 32,352	$ 30,745	$ 21,333	$ 14,337	$ 11,063
2											
3	Less - Test Year Customer Accounting Expense:	4,608,102	4,508,725	49,388	2,585	34,652	1,549	1,531	879	822	7,971
4											
5	Adjustment before Allocations:	$ (682,798)	$ (2,554,252)	$ 1,278,226	$ 24,801	$ 471,348	$ 30,803	$ 29,214	$ 20,454	$ 13,515	$ 3,092
6											
7											
8											
9	Pro Forma District Customer Accounting Expense:	$ 3,925,304	$ 1,954,473	$ 1,327,614	$ 27,386	$ 506,000	$ 32,352	$ 30,745	$ 21,333	$ 14,337	$ 11,063
10											
11	Allocation of Corporate:	(0)	(1,954,473)	1,302,070	25,604	480,019	31,467	30,490	70,947	13,877	-
12											
13	Pro Forma Customer Accounting Expense:	$ 3,925,304	$ -	$ 2,629,684	$ 52,990	$ 986,019	$ 63,819	$ 61,235	$ 92,280	$ 28,213	$ 11,063
14											
15											
16	Detail of Adjustments:										
17	Adjustment for Uncollectibles:	$ (815,493)	$ (2,554,252)	$ 1,190,346	$ 23,047	$ 438,517	$ 28,661	$ 27,139	$ 15,607	$ 12,564	$ 2,878
18	Adjustment for Postage and Mailing Expense:	132,695	-	87,880	1,754	32,831	2,142	2,075	4,847	951	214
19		-	-	-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-	-	-
21											
22											
23	Pro Forma Adjustments Before Allocations:	$ (682,798)	$ (2,554,252)	$ 1,278,226	$ 24,801	$ 471,348	$ 30,803	$ 29,214	$ 20,454	$ 13,515	$ 3,092

Indiana-American Water Company
Cause No. 43187
Rent Expense 541000 and 541400
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.		Total Company	Total Water Groups	Wabash	Total Sewer	Corporate	Northwest	Mooresville	Warsaw	West Lafayette	Winchester
1	Pro forma rent expense	$ 394,088	$ 167,555	$ 4,761	$ -	$ -	$ 186,554	$ 12,168	$ 17,876	$ 6,068	$ (894)
2											
3	Test year rent expense	356,588	167,555	4,761	-	-	149,054	12,168	17,876	6,068	(894)
4											
5	Adjustment before Allocations	$ 37,500	$ -	$ -	$ -	$ -	$ 37,500	$ -	$ -	$ -	$ -
6											
7	Pro forma district rent expense	$ 394,088	$ 167,555	$ 4,761	$ -	$ -	$ 186,554	$ 12,168	$ 17,876	$ 6,068	$ (894)
8											
9	Allocation of Corporate	-	-	-	-	-	-	-	-	-	-
10											
11	Pro forma rent expense	$ 394,088	$ 167,555	$ 4,761	$ -	$ -	$ 186,554	$ 12,168	$ 17,876	$ 6,068	$ (894)
12											
13	Detail of adjustments before allocations:										
14											
15	Rents Real Property (New Lease Agreement	$ 37,500	$ -	$ -	$ -	$ -	$ 37,500	$ -	$ -	$ -	$ -
16	Northwest Facility)	-	-	-	-	-	-	-	-	-	-
17		-	-	-	-	-	-	-	-	-	-
18											
19	Total adjustment before allocations	$ 37,500	$ -	$ -	$ -	$ -	$ 37,500	$ -	$ -	$ -	$ -
20											
21											
22											
23											
24											
25											
26											

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of General Office Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma General Office Expense:	$ 1,163,977	$ 555,196	$ 354,830	$ 18,786	$ 149,770	$ 22,701	$ 23,438	$ 31,076	$ 8,164	$ 16
2											
3	Less - Test Year General Office Expense:	2,406,317	1,797,536	354,830	18,786	149,770	22,701	23,438	31,076	8,164	16
4											
5	Adjustment before Allocations:	$ (1,242,340)	$ (1,242,340)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6											
7											
8											
9	Pro Forma District General Office Expense:	$ 1,163,977	$ 555,196	$ 354,830	$ 18,786	$ 149,770	$ 22,701	$ 23,438	$ 31,076	$ 8,164	$ 16
10											
11	Allocation of Corporate:	(0)	(555,196)	369,872	7,273	136,356	8,939	8,661	20,154	3,942	-
12											
13	Pro Forma General Office Expense:	$ 1,163,977	$ -	$ 724,702	$ 26,059	$ 286,126	$ 31,640	$ 32,099	$ 51,230	$ 12,106	$ 16
14											
15											
16	Detail of Adjustments:										
17	Write off of STEP Costs:	$ (1,346,980)	$ (1,346,980)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
18	Eliminate Reversal of a Relocation Expense Accrual	104,640	104,640	-	-	-	-	-	-	-	-
19		-	-	-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-	-	-
21											
22											
23	Pro Forma Adjustments Before Allocations:	$ (1,242,340)	$ (1,242,340)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of Miscellaneous Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma Miscellaneous Expense:	$ 6,373,506	$ 2,121,399	$ 2,332,021	$ 62,648	$ 1,509,393	$ 71,775	$ 89,064	$ 117,688	$ 52,025	$ 17,493
2											
3	Less - Test Year Miscellaneous Expense:	5,587,562	2,101,507	1,961,583	35,989	1,193,456	63,918	87,250	93,801	33,359	16,699
4											
5	Adjustment before Allocations:	$ 785,944	$ 19,892	$ 370,438	$ 26,659	$ 315,937	$ 7,857	$ 1,814	$ 23,887	$ 18,666	$ 794
6											
7											
8											
9	Pro Forma District Miscellaneous Expense:	$ 6,373,506	$ 2,121,399	$ 2,332,021	$ 62,648	$ 1,509,393	$ 71,775	$ 89,064	$ 117,688	$ 52,025	$ 17,493
10											
11	Allocation of Corporate:	(0)	(2,121,399)	1,413,276	27,790	521,016	34,155	33,094	77,007	15,062	-
12											
13	Pro Forma Miscellaneous Expense:	$ 6,373,506	$ -	$ 3,745,297	$ 90,438	$ 2,030,409	$ 105,930	$ 122,158	$ 194,695	$ 67,087	$ 17,493
14											
15											
16	Detail of Adjustments:										
17	Adjustment for 401(k) Expense:	$ 75,753	$ -	$ 43,061	$ 786	$ 26,410	$ 1,259	$ 1,197	$ 2,054	$ 192	$ 794
18	Adjustment for Security Expense:	66,183	-	27,761	11,676	26,746	-	-	-	-	-
19	Adjustment for Auto Insurance at 2006 Rates:	19,892	19,892	-	-	-	-	-	-	-	-
21	Adjustment for Vehicles Leased prior to June 30, 2007:	624,115	-	299,616	14,196	262,781	6,598	617	21,833	18,474	-
21											
22	Pro Forma Adjustments Before Allocations:	$ 785,944	$ 19,892	$ 370,438	$ 26,659	$ 315,937	$ 7,857	$ 1,814	$ 23,887	$ 18,666	$ 794

Indiana-American Water Company
Cause No. 43187
Pro Forma Adjustment of Maintenance Expense
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Line No.		Total Company	Total Water Groups	Wabash	Total Sewer	Corporate	Northwest	Mooresville	Warsaw	West Lafayette	Winchester
1	Pro forma maintenance expense	$ 3,581,095	$ 1,508,010	$ 117,974	$ 2,505	$ 234,929	$ 1,390,956	$ 31,371	$ 151,228	$ 109,289	$ 34,833
2											
3	Test year maintenance expense	7,187,186	1,432,494	115,574	2,505	4,186,403	1,167,918	31,371	129,471	89,117	32,333
4											
5	Adjustment before allocations	(3,606,091)	75,516	2,400	0	(3,951,474)	223,038	0	21,757	20,172	2,500
6											
7											
8	Pro forma district adjustment	3,581,095	1,508,010	117,974	2,505	234,929	1,390,956	31,371	151,228	109,289	34,833
9											
10	Allocation of Corporate & Customer Service	213	156,722	3,782	0	(234,929)	57,699	3,078	3,665	8,528	1,668
11											
12	Pro forma maintenance expense	3,581,308	1,664,732	121,756	2,505	0	1,448,655	34,449	154,893	117,817	36,501
13											
14											
15	Detail of adjustments before allocations:										
16	Well cleaning & maint	70,721	36,249	2,400	0	0	0	0	20,700	9,872	1,500
17	Residual mgt	36,277	0	0	0	0	36,277	0	0	0	0
18	Cleaning & Painting PSI Filters	0	0	0	0	0	0	0	0	0	0
19	Major parking lot maintenance	0	0	0	0	0	0	0	0	0	0
20	Major roof repairs	500	0	0	0	0	0	0	0	0	500
21	Valve Maintenance and Repairs	4,505	4,505	0	0	0	0	0	0	0	0
22	Generator / switch gear maint	7,308	5,508	0	0	0	0	0	0	1,300	500
23	Aerator maint	1,057	0	0	0	0	0	0	1,057	0	0
24	Chemical feed system maint	14,129	4,177	0	0	0	4,852	0	0	5,100	0
25	Easement maint	0	0	0	0	0	0	0	0	0	0
26	Other (Refer to Support Schedule 16a)	210,886	25,077	0	0	0	181,909	0	0	3,900	0
27	Elimination of Net Negative Salvage	(3,951,474)	0	0	0	(3,951,474)	0	0	0	0	0
28											
29	Total adjustments before allocations	($3,606,091)	$75,516	$2,400	$0	($3,951,474)	$223,038	$0	$21,757	$20,172	$2,500

Petitioner's Exhibit GMV-3
Support Schedule 17

Indiana-American Water Company
Cause Number 43187
Pro Forma Adjustment of Depreciation Expense
as of June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised
Work Paper Reference:

Schedule 1
Page 1 of 1

Line No.		Total Company	Total Water Groups	Wabash	Total Sewer	Corporate	Northwest	Mooresville	Warsaw	West Lafayette	Winchester
1	Pro forma district Depreciation expense	$ 26,030,764	$ 15,373,509	$ 273,765	$ 25,399	$ 2,612,002	$ 6,356,515	$ 239,572	$ 349,562	$ 657,867	$ 142,573
2											
3	Test year Depreciation expense	$ 19,810,106	16,265,002	303,404	20,993	(2,554,927)	4,482,675	218,527	321,833	610,704	141,895
4											
5	Adjustment before Allocations	$ 6,220,658	$ (891,493)	$ (29,639)	$ 4,406	$ 5,166,929	$ 1,873,840	$ 21,045	$ 27,729	$ 47,163	$ 678
6											
7											
8	Pro forma district Depreciation expense	$ 26,030,764	$ 15,373,509	$ 273,765	$ 25,399	$ 2,612,002	$ 6,356,515	$ 239,572	$ 349,562	$ 657,867	$ 142,573
9											
10	Allocation of Corporate	$ -	1,737,504	41,792	4,180	(2,612,002)	640,724	34,217	40,486	94,554	18,545
11											
12	Pro forma Depreciation expense	$ 26,030,764	$ 17,111,013	$ 315,557	$ 29,579	$ -	$ 6,997,239	$ 273,789	$ 390,048	$ 752,421	$ 161,118

Indiana American Water Company
Cause No. 43187
Pro Forma Adjustment of Amortization Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line No.	Description	Total	Total Water Groups	Wabash	Total Sewer	Corporate	Northwest	Mooresville	Warsaw	West Lafayette	Winchester
1	Pro forma amortization expense	$ 421,716	$ 222,492	$ -	$ 204	$ 194,760	$ 4,260	$ -	$ -	$ -	$ -
2	Test year amortization expense	259,900	126,555	0	110	130,320	2,915	0	0	0	0
3											
4	Adjustment before allocations	161,816	95,937	0	94	64,440	1,345	0	0	0	0
5											
6											
7	Pro forma district expense	421,716	222,492	0	204	194,760	4,260	0	0	0	0
8	Allocation of Corporate	0	129,749	3,136	0	(194,760)	47,833	2,551	3,038	7,070	1,383
9											
10	Pro forma amortization expense	421,716	352,241	3,136	204	0	52,093	2,551	3,038	7,070	1,383
11											
12											
13	Detail of adjustments:										
14											
15	Reclass of limited term plant amortization	(4,920)	0	0	0	(4,920)	0	0	0	0	0
16	Reclass amortization of Reg. Asset AFUDC debt	69,360	0	0	0	69,360	0	0	0	0	0
17	Adjustment of post-in-service AFUDC amortization	11,780	11,505	0	10	0	265	0	0	0	0
18	Reclass and adjustment of deferred depreciation	85,596	84,432	0	84	0	1,080	0	0	0	0
19											
20											
21	Total adjustments before allocations	$ 161,816	$ 95,937	$ -	$ 94	$ 64,440	$ 1,345	$ -	$ -	$ -	$ -
22											
23											
24											
25											
26											

Indiana American Water Company
Cause Number 43187
Pro Forma Adjustment of General Tax Expense
For the Twelve Months Ended June 30, 2006

Type of Filing: _X_ Original ___Updated ___ Revised

Line Number	Description	Total Company	Corporate	Total Water Groups	Mooresville	Northwest	Wabash	Warsaw	West Lafayette	Winchester	Total Sewer
1	Pro Forma General Taxes:	$ 17,523,216	$ 531,771	$ 7,920,856	$ 154,327	$ 8,107,787	$ 152,601	$ 177,303	$ 331,208	$ 84,916	$ 62,447
2											
3	Less: Test Year Expense:	17,736,114	2,417,258	8,862,013	250,870	5,462,161	156,015	184,333	322,567	67,776	13,121
4											
5	Adjustment Before Allocation:	$ (212,898)	$ (1,885,487)	$ (941,157)	$ (96,543)	$ 2,645,626	$ (3,414)	$ (7,030)	$ 8,641	$ 17,140	$ 49,326
6											
7											
8	Pro Forma District General Tax Expense:	$ 17,523,216	$ 531,771	$ 7,920,856	$ 154,327	$ 8,107,787	$ 152,601	$ 177,303	$ 331,208	$ 84,916	$ 62,447
9											
10	Allocation of Corporate:	0	(961,305)	640,421	12,593	236,097	15,477	14,996	34,895	6,825	-
11											
12	Pro Forma General Tax Expense:	$ 17,523,216	$ (429,534)	$ 8,561,278	$ 166,920	$ 8,343,883	$ 168,078	$ 192,299	$ 366,104	$ 91,741	$ 62,447
13											
14											
15	Detail of Adjustment Before Allocation:										
16	Adjustment of Payroll Taxes:	$ 135,864	$ -	$ 80,475	$ 521	$ 41,070	$ 1,277	$ 3,490	$ 5,752	$ 236	$ 3,043
17	Adjustment for Safe Drinking Water Act:	17,473	-	11,159	239	4,582	245	254	884	109	-
18	Adjustment of IURC Fee- Present Rates:	57,342	-	35,518	221	20,321	298	1,009	99	123	(247)
19	Adjustment of Gross Receipts Tax - Present Rates:	(26,302)	(1,885,487)	1,238,121	20,528	476,446	25,332	31,262	51,953	11,151	4,392
21	Adjustment of Property Tax:	(397,275)	-	(2,306,431)	(118,052)	2,103,207	(30,566)	(43,046)	(50,046)	5,520	42,138
22		-	-	-	-	-	-	-	-	-	-
23		-	-	-	-	-	-	-	-	-	-
24											
25											
26	Total Adjustment:	$ (212,898)	$ (1,885,487)	$ (941,157)	$ (96,543)	$ 2,645,626	$ (3,414)	$ (7,030)	$ 8,641	$ 17,140	$ 49,326

Indiana-American Water Company, Inc.
Cause No. 43187

Petitioner's Exhibit EJG-4
Schedule 1
Page 1 of 1

Pro Forma Calculation of Federal and State Income Taxes

Line	Description	Total	Total Water Groups	Wabash	Total Sewer	Northwest	Moores -ville	Warsaw	West Lafayette	Winchester
1	Operating Revenues	$141,938,306	$92,346,832	$1,938,722	$320,604	$38,991,805	$1,529,204	$2,290,814	$3,690,085	$830,240
2										
3	Less Deductions:									
4	Operating & Maintenance Expenses	63,780,084	38,601,779	1,157,563	254,733	19,186,289	798,029	1,266,361	2,049,681	465,648
5	Depreciation - Tax Normalized	23,286,508	15,827,525	301,287	24,914	5,926,704	213,415	339,554	516,964	136,145
6	Amortization	422,736	352,241	3,136	1,224	52,093	2,551	3,038	7,070	1,383
7	General Taxes	17,523,216	8,275,118	161,162	62,454	8,238,389	161,293	185,598	350,511	88,691
8	Amortization of ITC	(229,964)	(180,605)	(4,941)	(204)	(36,646)	(1,001)	(4,356)	(1,503)	(708)
9	Permanent Taxable Differences	(81,227)	(50,245)	(1,127)	(98)	(23,787)	(1,235)	(1,731)	(2,521)	(483)
10	Interest on Customer Deposits	0	0	0	0	0	0	0	0	0
11	Interest Synchronization Deduction	16,317,846	10,536,395	181,572	21,965	4,780,900	152,439	210,156	349,742	84,677
12	Total Deductions	121,019,199	73,362,208	1,798,651	364,988	38,123,942	1,325,492	1,998,620	3,269,944	775,353
13										
14	Federal Taxable Income									
15	Before State Income Taxes	20,919,107	18,984,624	140,070	(44,384)	867,863	203,713	292,193	420,141	54,887
16	Less State Income Taxes	1,966,928	1,738,803	14,401	(3,356)	123,283	19,346	27,891	40,787	5,773
17	Plus Amortization of Reg. Assets/Liablities	(58,366)	(37,686)	(648)	(82)	(17,101)	(543)	(753)	(1,249)	(304)
18	Less Allocation of Parent Company Interest	1,330,571	859,151	14,769	1,863	389,857	12,374	17,164	28,474	6,919
19	Federal Taxable Income	$17,563,242	$16,348,984	$110,252	($42,973)	$337,622	$171,450	$246,385	$349,631	$41,891
20										
21	Current and Deferred Federal Income Taxes									
22	Taxes @ 35% rate	$6,147,136	$5,722,145	$38,588	($15,040)	$118,168	$60,007	$86,235	$122,371	$14,662
23	Plus: SFAS 109 Amortization to FIT	58,366	37,686	648	82	17,101	543	753	1,249	304
24	Plus: Investment Credit Amortization	(229,964)	(180,605)	(4,941)	(204)	(36,646)	(1,001)	(4,356)	(1,503)	(708)
25	Total Federal Income Taxes	5,975,538	5,579,226	34,295	(15,162)	98,623	59,549	82,632	122,117	14,258
26	Less Test Year Expense	0	0	0	0	0	0	0	0	0
27	Pro-forma Adjustment	$5,975,538	$5,579,226	$34,295	($15,162)	$98,623	$59,549	$82,632	$122,117	$14,258
28										
29										
30	Federal Taxable Income									
31	Before State Income Taxes	$20,919,107	$18,984,624	$140,070	($44,384)	$867,863	$203,713	$292,193	$420,141	$54,887
32	Add: Utility Gross Receipts Tax	1,859,185	1,238,121	25,332	4,392	476,446	20,528	31,262	51,953	11,151
33	Add Amortization of Reg. Assets/Liablities	(97,421)	(62,903)	(1,082)	(137)	(28,544)	(906)	(1,257)	(2,085)	(507)
34	State Taxable Income	$22,680,871	$20,159,842	$164,320	($40,129)	$1,315,765	$223,335	$322,198	$470,009	$65,531
35										
36	Current and Deferred State Income Taxes									
37	Supplemental Income Tax @ 8.5%	$1,927,873	$1,713,586	$13,967	($3,411)	$111,840	$18,983	$27,387	$39,951	$5,570
38	Plus: SFAS Amortization to SIT	39,055	25,217	434	55	11,443	363	504	836	203
39	Total State Income Taxes	1,966,928	1,738,803	14,401	(3,356)	123,283	19,346	27,891	40,787	5,773
40	Less Test Year Expense	0	0	0	0	0	0	0	0	0
41	Pro-forma Adjustment	$1,966,928	$1,738,803	$14,401	($3,356)	$123,283	$19,346	$27,891	$40,787	$5,773

Petitioner's Exhibit GMV-4

INDIANA-AMERICAN WATER COMPANY, INC.

PROPOSED TARIFFS

W-17-A SCHEDULES OF RATES AND TARIFFS
IN AND ADJACENT TO
CRAWFORDSVILLE, INDIANA
JOHNSON COUNTY
(FRANKLIN & GREENWOOD), INDIANA
SOUTHERN INDIANA
(JEFFERSONVILLE, CLARKSVILLE & NEW ALBANY), INDIANA
KOKOMO, INDIANA
MUNCIE, INDIANA
NEWBURGH, INDIANA
NOBLESVILLE, INDIANA
RICHMOND, INDIANA
SEYMOUR, INDIANA
SHELBYVILLE, INDIANA
SOMERSET, INDIANA
SUMMITVILLE, INDIANA
WABASH, INDIANA
WABASH VALLEY
(TERRE HAUTE, FARMERSBURG, & SULLIVAN), INDIANA

W-17-N NORTHWEST INDIANA OPERATIONS

(BURNS HARBOR, CHESTERTON, GARY, HOBART, MERRILLVILLE, PORTAGE, PORTER & SOUTH HAVEN), INDIANA

W-17-U MOORESVILLE, INDIANA
WARSAW, INDIANA
WINCHESTER, INDIANA
WEST LAFAYETTE, INDIANA

W-17-B SCHEDULES OF RATES AND TARIFFS FOR WHOLESALE STANDBY WATER SERVICE

S-17-A SCHEDULES OF RATES AND TARIFFS FOR SEWER SERVICE
IN AND ADJACENT TO
SOMERSET, INDIANA
DELAWARE COUNTY, INDIANA (MUNCIE SEWER)

INDIANA-AMERICAN WATER COMPANY, INC.

GREENWOOD, INDIANA

SCHEDULES OF RATES AND TARIFFS

IN AND ADJACENT TO

CRAWFORDSVILLE, INDIANA
JOHNSON COUNTY
(FRANKLIN & GREENWOOD), INDIANA
SOUTHERN INDIANA
(JEFFERSONVILLE, CLARKSVILLE & NEW ALBANY), INDIANA
KOKOMO, INDIANA
MUNCIE, INDIANA
NEWBURGH, INDIANA
NOBLESVILLE, INDIANA
RICHMOND, INDIANA
SEYMOUR, INDIANA
SHELBYVILLE, INDIANA
SOMERSET, INDIANA
SUMMITVILLE, INDIANA
WABASH, INDIANA
WABASH VALLEY
(TERRE HAUTE, FARMERSBURG, & SULLIVAN), INDIANA

ISSUED:

Pursuant to order of Indiana Utility Regulatory Commission approved ________________, in Cause No. 43187

EFFECTIVE:

For all water service on and after date of approval by Tariff Division of Engineering Division of Indiana Utility Regulatory Commission.

INDIANA-AMERICAN WATER COMPANY, INC.

By: ______________________________
Terry L. Gloriod , President

Date Approved
By Tariff Division of Engineering
Division of IURC

CLASSIFICATION OF SERVICE

GENERAL WATER SERVICE

Available For

All general water service customers except sale for resale customers.

Billing Frequency

Bills for general water service shall be rendered on a monthly basis. The following schedule of volumetric rates are set forth on a monthly basis.

Volumetric Rates
The following shall be the rates for consumption:

		Kokomo Flowing Wells Noblesville Seymour Somerset Summitville	Crawfordsville Johnson County Muncie Newburgh	Richmond Shelbyville Southern Indiana Wabash Valley
		GROUP 1		**GROUP 2**
	Hundred Cubic Feet Per Month	Rate Per 100 Cubic Feet*		Rate Per 100 Cubic Feet*
For the first	20	$2.9334		$2.5727
For the next	4,980	2.1252		1.8638
For all over	5,000	1.4977		1.3137
	Thousand Gallons Per Month	Rate Per 1000 Gallons*		Rate Per 1000 Gallons*
For the first	15	$3.9112		$3.4303
For the next	3,735	2.8336		2.4851
For all over	3,750	1.9969		1.7516

Minimum bill for Flowing Wells residential customer $23.47
Minimum bill for Flowing Wells commercial customer $27.38

* Subject to the Distribution System Improvement Charge listed on Appendix A

Continued to Page 2a

CLASSIFICATION OF SERVICE

GENERAL WATER SERVICE

Volumetric Rates (Continued)

The following shall be the rates for consumption:

Wabash

	Hundred Cubic Feet Per Month	Rate For 100 Cubic Feet
For the first	20.0	$1.4621
For the next	646.0	1.2371
For the next	4,334.0	0.7141
For all over	5,000.0	0.7141

	Thousand Gallons Per Month	Rate Per 1000 Gallons
For the first	15.0	$1.9495
For the next	485.5	1.6495
For the next	3,250.5	0.9521
For all over	3,750.0	0.9521

CLASSIFICATION OF SERVICE

GENERAL WATER SERVICE

SALE FOR RESALE

Customer Charge

All metered general water service and sale for resale customers shall pay a Customer Charge based on the size of meter installed (or multiple meters installed--in which case, the charge is based on the total of all meters installed). The Customer Charge rates are listed below and do not include any allowance for water usage.

MONTHLY CHARGES

Size of Meter	Kokomo Noblesville Seymour Somerset Summitville **GROUP 1**	Crawfordsville Johnson County Muncie Newburgh Richmond Shelbyville Southern Indiana Wabash Valley **GROUP 2**	**Wabash**
5/8"	$13.76	$12.08	$16.36
3/4"	20.64	18.11	16.36
1"	34.42	30.18	32.78
1-1/2"	68.83	60.36	57.16
2"	110.11	96.58	78.70
3"	206.49	181.10	121.85
4"	344.14	301.82	204.30
6"	688.28	603.65	349.56
8"	1,101.24	965.85	618.23
10"	1,789.52	1,569.50	901.42
12"	2,959.60	2,595.71	1,490.80

CLASSIFICATION OF SERVICE

SALE FOR RESALE

Available For

All sale for resale customers.

Billing Frequency

Bills for sales for resale service shall be rendered on a monthly basis. The following schedule of volumetric rates are set forth on a monthly basis.

Volumetric Rates

The following shall be the rates for consumption:

	Kokomo Noblesville Seymour Somerset Summitville **GROUP 1**	Crawfordsville Muncie Newburgh Richmond Shelbyville Wabash Valley **GROUP 2**	Johnson County Southern Indiana **GROUP 2A**
	Rate Per 100 Cubic Feet	Rate Per 100 Cubic Feet	Rate Per 100 Cubic Feet
All Usage	$1.8533	$1.6254	$1.2191
	Rate Per 1000 Gallons	Rate Per 1000 Gallons	Rate Per 1000 Gallons
All Usage	$2.4711	$2.1672	$1.6255

CLASSIFICATION OF SERVICE

SALE FOR RESALE

CONTRACTED WATER SERVICE

The following sale for resale customers have contracts for service which include a minimum level of water usage as identified below:

Johnson County

Town of Whiteland under a contract dated April 10, 1995.

Monthly minimum usage 400,000 cubic feet

Town of New Whiteland under a contract dated October 30, 1998.

Annual minimum usage 10,608,000 cubic feet

Southern Indiana

Borden Tri-County Regional Water District under a contract dated January 16, 1995.

Monthly minimum charge 1,002,600 cubic feet

CLASSIFICATION OF SERVICE
FIRE SERVICE

Private Fire Service

For all districts the rates for private fire service are based upon the size of the service, and no additional charges will be made for fire hydrants, hose connections or standpipes connected to and supplied by such private fire services.

MONTHLY CHARGES

Size of Service	Kokomo Muncie Richmond Seymour Summitville Wabash Valley **GROUP 1**	Crawfordsville Johnson County Noblesville Southern Indiana **GROUP 2**	Newburgh Shelbyville Wabash **GROUP 3**
2" Diameter	$8.70	$6.83	$5.21
2-1/2" Diameter	13.56	10.64	8.11
3" Diameter	19.55	15.35	11.69
4" Diameter	34.78	27.30	20.79
6" Diameter	78.23	61.41	46.79
8" Diameter	139.07	109.17	83.19
10" Diameter	217.31	170.57	129.98
12" Diameter	312.92	245.62	187.16

Private Fire Hydrant

Available only to customers in the following operations charging a rate for private fire hydrant service.

MONTHLY CHARGES

	Summitville **GROUP 1**	Crawfordsville Johnson County Noblesville Southern Indiana **GROUP 2**	Newburgh Shelbyville Wabash **GROUP 3**
Private Fire Hydrants, each	$39.12	$30.71	$23.41

CLASSIFICATION OF SERVICE

FIRE SERVICE

Public Fire Hydrants

Each municipality shall pay for each public fire hydrant within municipal boundaries.

MONTHLY CHARGES

	Kokomo Seymour **GROUP 1**	Crawfordsville Muncie **GROUP 2**	Johnson County (Franklin only) Shelbyville Southern Indiana (Clarksville only) Summitville **GROUP 3**
Public Fire Hydrants, each	$50.59	$43.98	$41.78

PUBLIC FIRE PROTECTION SUBURBAN SURCHARGE

Applicability

Applicable to any water customer located within 1,000 feet of a public fire hydrant (measured from the hydrant to the nearest point on the property line of the customer) on the Company's distribution mains in areas not within municipal boundaries, unless a Public Fire Protection Surcharge under I.C. 8-1-2-103 applies to the customer. In addition to the charges for water service under currently approved tariffs, a public fire protection suburban surcharge per month shall be charged to, and collected from, each customer to whom said surcharge is hereby made applicable.

MONTHLY CHARGES

	GROUP 1	**GROUP 2**	**GROUP 3**
Surcharge	$3.42	$2.98	$2.82

CLASSIFICATION OF SERVICE

FIRE SERVICE

Public Fire Protection Surcharge Under I.C. 8-1-2-103

In accordance with I.C. 8-1-2-103, the Company shall recover the costs for public fire protection service in certain operations from its metered customers. In addition to all other charges for water service, all metered general water service customers in the operations listed below shall pay a Public Fire Protection Surcharge under I.C. 8-1-2-103 based upon the size of the meter installed. If multiple meters are installed, the surcharge shall be based on the total of all meters installed.

MONTHLY CHARGES

Size of Meter	Richmond Wabash Wabash Valley	Johnson County (Greenwood only) Newburgh Noblesville Southern Indiana (Jeffersonville/New Albany only)	Kokomo	Crawfordsville
	GROUP 2	**GROUP 3**		
5/8"	$2.98	$2.82	3.53	2.33
3/4"	4.46	4.24	5.29	3.51
1"	7.43	7.07	8.82	5.84
1-1/2"	14.88	14.13	17.63	11.68
2"	23.80	22.61	28.21	18.69
3"	44.61	42.40	52.88	35.05
4"	74.35	70.64	88.14	58.43
6"	148.72	141.29	176.29	116.85
8"	237.95	226.05	282.06	186.96
10"	386.68	367.34	458.36	303.81
12"	639.50	607.52	758.05	502.46

Issued: ____________________ Effective: ________________

Issued by: Terry L. Gloriod, President
555 E. County Line Road
Greenwood, Indiana 46143

CLASSIFICATION OF SERVICE

METERED PLANT SALES

Available to all customers desiring to purchase water pumped directly into portable water tanks, furnished by the Customer, at the Company's designated plant sites from a coin-operated machine charged at the current schedule of metered rates.

RECONNECTION CHARGE

When it has been necessary to discontinue water service to any premises because of a violation of the Company's Rules and Regulations or on account of non-payment of any bill for water service, a charge of Fifteen Dollars ($15.00) will be made to cover the expense of turning on the water service.

However, any service reconnected at the request of a Customer after regular business hours, or on Saturdays, Sundays, or Holidays, will be billed a charge of Forty Dollars ($40.00).

INSUFFICIENT FUNDS CHARGE

When a check that has been received as payment for water service is returned by the bank unpaid, due to insufficient funds, or an automatic debit to the customer's approved bank account as payment for water service is not recognized, due to insufficient funds, a charge in the amount of Nine Dollars and fifty cents ($9.50) will be assessed to cover the cost of processing such transaction.

CLASSIFICATION OF SERVICE

WATER FOR BUILDING AND CONSTRUCTION PURPOSES

Where a meter is installed on a fire hydrant or on a temporary service connection for construction purposes, the minimum payment for water shall be the monthly customer charge for general water service, payable in advance based upon the size of the meter installed. If more than one fire hydrant or special service connection is used, the customer charge is to apply to each such hydrant or temporary service connection so used.

The cost of installing and removing the temporary service connection and meter setting, or the connection made to the fire hydrant, shall be paid for by the Customer.

The Company may require an application to be signed and either the customer charge paid in advance or, at the option of the Company, a meter deposit made, and the account handled in the same manner as any other metered account as set forth on the schedule of General Metered Water Service rates.

BILLING OF LICENSE, OCCUPATION, FRANCHISE, OR OTHER SIMILAR CHARGES OR TAXES

There will be added to the Customer's bill, as a separate item, an amount equal to the proportionate part of any license, occupation, franchise, or other similar fee or tax now or hereafter imposed upon the Company by local taxing authorities, whether imposed by ordinance, franchise or otherwise, and which fee or tax is based upon a percentage of the gross receipts, net receipts, or revenues from sales of water rendered by the Company to the Customer.

Where more than one such charge or tax is imposed by a taxing authority, the total of such charges or taxes applicable to a Customer may be billed to the Customer as a single amount.

Charges or taxes herein referred to shall in all instances be billed to Customers on the basis of Company rates effective at the time of billing, and on the basis of the tax rate effective at the time billing is made.

DEFERRED MAIN EXTENSION MONTHLY PAYMENT

Deferred Main Extension Monthly Payment will apply to customers receiving water service through a main extension installed under Rule 23.6. In addition to the rates and charges for General Water Service and, where applicable, Fire Service, such customers will pay a Deferred Main Extension Monthly Payment computed in accordance with Rule 23.6 and based on the cost of the main extension.

Appendix A

Distribution System Improvement Charge (DSIC)

The Distribution System Improvement Charge (DSIC) set forth on this schedule is applicable where clearly denoted on other rate schedules, and shall be added to the volumetric rates billed. Changes to the DSIC shall be occasioned by filings in accordance with Indiana Code Chapter 8-1-31.

	Water Groups	Wabash
Rate per 100 cubic feet	$0.00	$0.00
Rate per 1,000 gallons	$0.00	$0.00

Water Groups include the following service areas:

Kokomo	Johnson County
Flowing Wells	Muncie
Noblesville	Newburgh
Seymour	Richmond
Somerset	Shelbyville
Summitville	Southern Indiana
Crawfordsville	Wabash Valley

INDIANA-AMERICAN WATER COMPANY, INC.

GREENWOOD, INDIANA

SCHEDULES OF RATES AND TARIFFS FOR WHOLESALE STANDBY WATER SERVICE

IN AND ADJACENT TO

CRAWFORDSVILLE, INDIANA
JOHNSON COUNTY
(FRANKLIN & GREENWOOD), INDIANA
SOUTHERN INDIANA
(JEFFERSONVILLE, CLARKSVILLE & NEW ALBANY), INDIANA
KOKOMO, INDIANA
MOORESVILLE, INDIANA
MUNCIE, INDIANA
NEWBURGH, INDIANA
NOBLESVILLE, INDIANA
NORTHWEST INDIANA
(BURNS HARBOR, CHESTERTON, GARY, HOBART, MERRILLVILLE, PORTAGE, PORTER & SOUTH HAVEN), INDIANA
RICHMOND, INDIANA
SEYMOUR, INDIANA
SHELBYVILLE, INDIANA
SOMERSET, INDIANA
SUMMITVILLE, INDIANA
WABASH, INDIANA
WABASH VALLEY
(TERRE HAUTE, FARMERSBURG, & SULLIVAN), INDIANA
WARSAW, INDIANA
WEST LAFAYETTE, INDIANA
WINCHESTER, INDIANA

ISSUED:

Pursuant to order of Indiana Utility Regulatory Commission approved ______________ in Cause No. 43187

EFFECTIVE:

For all water service on and after date of approval by Tariff Division of Engineering Division of Indiana Utility Regulatory Commission.

INDIANA-AMERICAN WATER COMPANY, INC.

By: ________________________________
Terry L. Gloriod, President

WHOLESALE STANDBY WATER SERVICE

Availability

This tariff sets forth rates and terms and conditions of Standby Service applicable to any wholesale customer which has an Alternative Source of Supply, if the Company is obligated pursuant to a Water Supply Contract to provide water to the customer in the event the customer chooses not to use the Alternative Source of Supply to its full capacity or the Alternative Source of Supply is unavailable or insufficient to supply all of the customer's needs. For purposes of this tariff, an Alternative Source of Supply shall mean any external or internal source of water supply (or combination of such sources of supply) other than the Company, including the construction of, an expansion of, or an addition to, a source of water supply, which has capacity available to provide the Standby Customer with at least 300 ccf of water per day on average. This tariff shall not apply (1) to any wholesale customer which has by contract agreed to purchase all of the wholesale customer's requirements for water (meaning all of the water to be delivered by the wholesale customer to its retail customers) for all or an identified portion of the wholesale customer's system, and (2) to any wholesale customer which has by contract agreed to take or purchase a minimum quantity of water.

Amount of Standby Service

The Water Supply Contract shall identify the Standby Customer's Contractual Maximum Daily Standby Demand, i.e., the maximum daily amount of water that the Company is obligated to provide as a standby source of supply in the event that all or a portion of the Standby Customer's Alternative Source(s) of Supply becomes unavailable or insufficient to the Standby Customer.

Customer Charges

All Standby Customers shall pay the monthly Customer Charges by size of meter installed as set forth in the Metered General Water Service Schedule of Rates.

Demand Charges

Each Standby Customer shall also pay for each billing period a Monthly Demand Charge of $15.28 per ccf of Contractual Maximum Daily Standby Demand, subject to an additional charge for standby usage in excess of that demand, as specified below.

Usage Charges

In addition to the monthly Customer and Demand Charges specified above, each Standby Customer shall pay a usage rate of $1.34 per ccf for all water actually used (whether or not for standby purposes). For all monthly use (whether or not for standby purposes) in excess of the amount consistent with the Contractual Maximum Daily Demand, the Standby Customer shall be charged for usage in accordance with the Usage Rates contained in the otherwise applicable Metered General Water Service Schedule of Rates.

WHOLESALE STANDBY WATER SERVICE (CONTINUED)

New Customers Requiring Service Under Tariff

Each additional customer which acquires or adds an Alternative Source(s) of Supply after the effective date of this tariff and, as a result becomes a Standby Customer as defined in this tariff shall, within ten days of doing so, notify the company of the total amount of the capacity of the Standby Customer's Alternative Source(s) of Supply, and enter into a Water Supply Contract in accordance with the terms of this tariff.

Each Standby Customer which is taking service under a Water Supply Contract pursuant to this tariff and takes actions which increase the capacity of the Standby Customer's Alternative Source(s) of Supply shall, within ten days of doing so, notify the Company of the resulting total capacity of the Customer's Alternative Sources of Supply, at which time the Contractual Maximum Daily Standby Demand under the contract shall be subject to renegotiation upon the request of the customer.

Charge For Usage in Excess of Contractual Demand

If and when the maximum daily amount of standby water actually used by a Standby Customer (the "Actual Maximum Daily Standby Demand') exceeds that customer's then existing Contractual Maximum Daily Standby Demand, (I) the Actual Maximum Daily Standby Demand shall become that customer's new Contractual Maximum Daily Standby Demand beginning with the month in which the Actual Maximum Daily Standby Demand is established and (II) the Standby Customer shall be subject to an Excess Usage Charge in addition to all other charges under this tariff. The Excess Usage Charge shall be determined by applying the Monthly Demand Charge per ccf to the number of ccf calculated by multiplying the difference between the Actual Maximum Daily Standby Demand and the existing Contractual Maximum Daily Standby Demand by the lesser of (I) 24 or (II) the number of months during the period beginning with the month for which the existing Contractual Maximum Daily Demand first became effective and ending with the month immediately preceding the month in which the Actual Maximum Daily Standby Demand was established.

INDIANA-AMERICAN WATER COMPANY, INC.

GREENWOOD, INDIANA

SCHEDULES OF RATES AND TARIFFS FOR WATER SERVICE

IN AND ADJACENT TO:

NORTHWEST INDIANA OPERATIONS

(BURNS HARBOR, CHESTERTON, GARY, HOBART, MERRILLVILLE, PORTAGE, PORTER & SOUTH HAVEN), INDIANA

ISSUED:

Pursuant to order of Indiana Utility Regulatory Commission approved ________________ in Cause No. 43187.

EFFECTIVE:

For all water service on and after date of approval by Tariff Division of Engineering Division of Indiana Utility Regulatory Commission.

INDIANA-AMERICAN WATER COMPANY, INC.

By: Terry L. Gloriod, President

CLASSIFICATION OF SERVICE

RATES FOR GENERAL WATER SERVICE (BI-MONTHLY)

AVAILABILITY:

General Water Service is available to customers who regularly use the Company's water service throughout the year (and also to seasonal users so long as they pay regularly at least the Minimum Payment herein provided for) and who are located on distribution mains of the Company suitable and adequate for supplying the service requested in the territory served by the Company.

BI-MONTHLY RATE SCHEDULE:

	Thousand Gallons	Price Per Thousand Gallons*	Hundred Cubic Feet	Price Per Hundred Cubic Feet*
First	6	$5.5037	8.00	$4.1278
Next	24	4.6415	32.00	3.4811
Next	10	4.6415	13.34	3.4811
Next	260	3.4271	346.67	2.5703
Next	700	2.3127	933.33	1.7345
Next	6,500	1.7801	8,666.67	1.3351
Next	72,500	1.7801	96,666.67	1.3351
Next	160,000	1.6136	213,333.33	1.2102
Over	240,000	1.4804	320,000.00	1.1103

MINIMUM PAYMENT:

The Customer's Minimum Payment under this rate shall be determined by the size of the customer's meter and the number of meters. A separate minimum payment shall be charged for each meter as follows:

Size of Meter	Thousand Gallons	Hundred Cubic Feet	Minimum Bi-Monthly Payment
5/8-inch	6	8	$33.03
3/4-inch	9	12	46.96
1-inch	15	20	74.80
1-1/2-inch	30	40	144.42
2-inch	48	64	218.26
3-inch	90	120	362.19
4-inch	150	200	567.81
6-inch	300	400	1,081.87
8-inch	480	640	1,498.14
10-inch	780	1,040	2,191.93
12-inch	1,290	1,720	3,216.92

Continued to Page 2a

* Subject to the Distribution System Improvement Charge listed on Appendix A

CLASSIFICATION OF SERVICE

RATES FOR GENERAL WATER SERVICE (MONTHLY)

AVAILABILITY:

General Water Service is available to customers who regularly use the Company's water service throughout the year (and also to seasonal users so long as they pay regularly at least the Minimum Payment herein provided for) and who are located on distribution mains of the Company suitable and adequate for supplying the service requested in the territory served by the Company.

MONTHLY RATE SCHEDULE:

	Volume Thousand Gallons	Price Per Thousand Gallons*	Volume Hundred Cubic Feet	Price Per Hundred Cubic Feet*
First	3	$5.5037	4.00	$4.1278
Next	12	4.6415	16.00	3.4811
Next	5	4.6415	6.67	3.4811
Next	130	3.4271	173.33	2.5703
Next	350	2.3127	466.67	1.7345
Next	3,250	1.7801	4,333.33	1.3351
Next	36,250	1.7801	48,333.33	1.3351
Next	80,000	1.6136	106,666.67	1.2102
Over	120,000	1.4804	160,000.00	1.1103

MINIMUM PAYMENT:

The Customer's Minimum Payment under this rate shall be determined by the size of the customer's meter and the number of meters. A separate minimum payment shall be charged for each meter as follows:

Size of Meter	Thousand Gallons	Hundred Cubic Feet	Minimum Monthly Payment
5/8-inch	3.0	4	$16.52
3/4-inch	4.5	6	23.48
1-inch	7.5	10	37.40
1-1/2-inch	15.0	20	72.21
2-inch	24.0	32	109.13
3-inch	45.0	60	181.09
4-inch	75.0	100	283.91
6-inch	150.0	200	540.93
8-inch	240.0	320	749.07
10-inch	390.0	520	1,095.96
12-inch	645.0	860	1,608.46

* Subject to the Distribution System Improvement Charge listed on Appendix A

CLASSIFICATION OF SERVICE

SALE FOR RESALE

Available For

All sale for resale customers.

Billing Frequency

Bills for sales for resale service shall be rendered on a monthly basis. The following schedule of volumetric rates are set forth on a monthly basis.

Volumetric Rates

The following shall be the rates for consumption: **GROUP 2B**

	Volume Thousand Gallons	Price Per Thousand Gallons	Volume Hundred Cubic Feet	Price Per Hundred Cubic Feet
First	37,500	$1.8423	50,000	$1.3817
Over	37,500	1.6431	50,000	1.2323

Customer Charge

All metered sale for resale customers shall pay a Customer Charge based on the size of meter installed (or multiple meters installed--in which case, the charge is based on the total of all meters installed). The Customer Charge rates are listed below and do not include any allowance for water usage.

Size of Meter	**GROUP 2 Monthly**
2"	$96.58
3"	181.10
4"	301.82
6"	603.65
8"	965.85
10"	1,569.50
12"	2,595.71

CLASSIFICATION OF SERVICE

PRIVATE WATER CONNECTION FOR FIRE PROTECTION

AVAILABILITY:

Private Water Connections for Fire Protection are available to Customers who are located on distribution mains of the Company suitable and adequate for supplying the service requested in the territory served by the Company.

CHARACTER OF SERVICE:

Service under this rate shall consist of stand-by service for fire emergencies. All water taken through such connection shall be restricted to fire emergencies only. The Company reserves the right to install either a meter or flow detector from time to time to ensure that the service is restricted to fire fighting purposes. If the Company elects to install a meter or flow detector, the customer shall provide in a suitable location flange connections in the customer's service header, and a suitable vault for the meter or flow detector.

MONTHLY RATE per connection (Flat Rate, Not Metered):

	GROUP 5
2" Diameter	$16.38
2-1/2" Diameter	25.54
3" Diameter	36.84
4" Diameter	65.49
6" Diameter	147.37
8" Diameter	261.96
10" Diameter	409.33
12" Diameter	589.41
Private Fire Hydrant	73.67

WHERE AVAILABLE:

Burns Harbor, Chesterton, Gary, Hobart, Merrillville, Portage, Porter, South Haven and adjacent areas.

CLASSIFICATION OF SERVICE

RATE FOR MISCELLANEOUS TEMPORARY WATER SERVICE

AVAILABILITY:

Miscellaneous Temporary Water Service is available upon application therefore for construction projects located in the vicinity of distribution mains of the Company suitable and adequate for supplying the service requested in the territory served by the Company. Each application for service under this rate shall list in detail the purposes for which water service is to be used.

RATE:

The rate for this service shall be the sum of the charges as determined under sub-paragraphs (a) and (b) below:

(a) The applicant for Miscellaneous Temporary Water Service shall be required to pay the Company's cost of labor plus 30% for supervision, transportation, materials (excluding the cost of the meter), use of tools, and overhead and indirect costs required in connection with establishing, disconnecting and dismantling of the temporary connection. This payment shall be made to the Company before the facilities are installed by the Company based upon amounts estimated by the Company. The payment shall be adjusted to actual costs by a refund or additional charge when service is discontinued.

(b) The volume of water taken through the temporary connection shall be metered by a meter furnished and owned by the Company. For water consumed through such meter, the regular schedule of water rates, including minimum payment provisions, for General Water Service shall apply.

PERMIT WHERE USE OF FIRE HYDRANT IS REQUIRED:

If the temporary water service connection is from a public fire hydrant, then a permit to use the hydrant must be obtained by the applicant from the Company. A permit will be issued by the Company only when the applicant first obtains written permission from the Chief of the Fire Department for use of the hydrant, and delivers the written permission to the Company. Any permit issued by the Company shall be revocable at the Company's option.

SPECIAL PROVISIONS:

The Company reserves the right to discontinue service if the purpose for which water is used or the quantities of construction work to be performed have been misrepresented. In that event, the Company will refund the unearned portion of the advance payment.

WHERE AVAILABLE:

Burns Harbor, Chesterton, Gary, Hobart, Merrillville, Portage, Porter, South Haven and adjacent areas.

CLASSIFICATION OF SERVICE

RATE FOR PUBLIC FIRE HYDRANT SERVICE

AVAILABILITY:

Public Fire Hydrant Service is available to Municipalities, upon entering into a written Fire Hydrant Service Contract for Fire Hydrant Service, where service can be provided from distribution mains of the Company suitable and adequate for supplying the service requested in the territory served by the Company.

CHARACTER OF SERVICE:

Service under this rate shall be restricted to stand-by service for fire emergencies from Fire Hydrant installations owned by the Company.

Porter Only

MONTHLY RATE (Flat Rate, Not Metered):
All except Porter

GROUP 1	**GROUP 2**
\$50.59 per hydrant per month	\$36.86 per hydrant per month

PAYMENT DUE DATE:

Bills are due and payable within 17-days of the date of the bill.

WHERE AVAILABLE:

Burns Harbor, Chesterton, Gary, Hobart, Merrillville, Portage, Porter, South Haven and adjacent areas.

CLASSIFICATION OF SERVICE

PUBLIC FIRE PROTECTION SURCHARGE UNDER I.C. 8-1-2-103

APPLICABILITY:

In accordance with I.C. 8-1-2-103, the Company shall recover the costs for public fire protection service in certain areas from its metered customers. In addition to all other charges for water service, all metered General Water Service customers in the areas listed below shall pay a Public Fire Protection Surcharge Under I.C. 8-1-2-103 based upon the size of the meter installed. If multiple meters are installed, the surcharge shall be based upon the total of all meters installed.

RATE (Surcharge):

		Portage Only	Hobart Only
	GROUP 1	**GROUP 2**	**GROUP 3**
Size of Meter	Monthly Surcharge	Monthly Surcharge	Monthly Surcharge
5/8-inch	$3.42	$2.53	$2.57
3/4-inch	5.13	3.79	3.85
1-inch	8.56	6.32	6.43
1-1/2-inch	17.11	12.64	12.84
2-inch	27.37	20.23	20.55
3-inch	51.32	37.91	38.54
4-inch	85.51	63.19	64.23
6-inch	171.04	126.38	128.46
8-inch	273.65	202.19	205.54
10-inch	444.69	328.57	334.00
12-inch	735.43	543.40	552.40

PAYMENT DUE DATE:

Bills are mailed at the same time as the bill for General Water Service is mailed, and are due and payable within 17-days of the date of the bill.

WHERE APPLICABLE:

Applicable to the following areas: Unincorporated areas of Center, Portage and Union Townships in Porter County that are supplied with water through the South Haven booster pumping station; the unincorporated area of Union township in Porter County known as Shorewood Forest; the incorporated areas of the Town of Chesterton, Town of Winfield, Town of Dune Acres, City of Portage, and City of Hobart.

CLASSIFICATION OF SERVICE

DISHONORED CHECK CHARGE:

In the event a check, draft of other instrumenttendered to the Company for water service provided by the Company is dishonored by the bank or another institution upon which it is drawn, by reason of "insufficient funds", "account closed" or other similar reason, a Charge For Dishonored Check of Nineteen Dollars ($19.00) for each such dishonored instrument will be made by the Company to the customer. Such charge will be added to, and will be due and payable on the terms and conditions of the Company's billing in payment of which the dishonored instrument was so tendered.

RE-CONNECTION CHARGE:

Whenever service is turned off for non-payment of a bill, a charge of $36.00 will be made by the Company to cover the cost of discontinuance and re-establishment of service. Whenever for any reason beyond the control of the Company, re-establishment of service is required by a Customermore often than once in a twelve month period, a charge of $36.00 will be made by the Company to cover the cost of discontinuance and re-establishment of service.

CLASSIFICATION OF SERVICE

DEFERRED MAIN EXTENSION MONTHLY PAYMENT

Deferred Main Extension Monthly Payment will apply to customers receiving water service through a main extension installed under Rule 13. In addition to the rates and charges for General Water Service and, where applicable, Fire Service, such customers will pay a Deferred Main Extension Monthly Payment computed in accordance with Rule 13 and based on the cost of the main extension.

GARY PROJECT SURCHARGE

(effective for 10-years following I.U.R.C. approval on 10/31/01)

(The location of the Gary Project in Gary, Indiana, is described in the State of Indiana Drinking Water Revolving Loan Program Financial Assistance Agreement dated June 15, 2001 between the State of Indiana acting through the State Budget Agency and Indiana-American)

In addition to all other applicable rates and charges, a $10.00 per month surcharge shall be collected from each general water service customer, residential customer or in the case of master metered apartments and trailer parks, household equivalents receiving water from the Gary Project. For each customer the surcharge shall commence the first month after connection and shall terminate three years thereafter. In the event a customer is master metered for multiple households, the surcharge shall be calculated on the basis of the number of residential households receiving water service through any such mater meter (i.e. trailer parks and apartment buildings.)

Appendix A

Distribution System Improvement Charge (DSIC)

The Distribution System Improvement Charge (DSIC) set forth on this schedule is applicable where clearly denoted on other rate schedules, and shall be added to the volumetric rates billed. Changes to the DSIC shall be occasioned by filings in accordance with Indiana Code Chapter 8-1-31.

	Northwest Indiana Operations
Rate per 100 cubic feet	\$0.00
Rate per 1000 gallons	\$0.00

INDIANA-AMERICAN WATER COMPANY, INC

GREENWOOD, INDIANA

SCHEDULES OF RATES AND TARIFFS FOR WATER SERVICE

IN AND ADJACENT TO:

MOORESVILLE, INDIANA
WARSAW, INDIANA
WINCHESTER, INDIANA
WEST LAFAYETTE, INDIANA

ISSUED:
Pursuant to order of Indiana Utility Regulatory Commission approved ________________ in Cause No. 43187

EFFECTIVE:
For all water service on and after date of approval by Tariff Division of Engineering Division of Indiana Utility Regulatory Commission.

INDIANA-AMERICAN WATER COMPANY, INC.

By: Terry L. Gloriod , President

CLASSIFICATION OF SERVICE

GENERAL WATER SERVICE

Available For

All metered customers, within the applicable service territories of the Company, for residential, commercial, industrial or municipal use.

Billing Frequency
Bills for general water service shall be rendered on a monthly basis. The following schedule of volumetric rates are set forth on a monthly basis.

Volumetric Rates
The following shall be the rates for consumption:

		Mooresville	**Warsaw**	**West Lafayette**	**Winchester**
	Thousand Gallons Per Month	Rate per 1,000 Gallons	Rate per 1,000 Gallons	Rate per 1,000 Gallons	Rate per 1,000 Gallons
For the first	10	$3.2572	$2.9167	$2.0311	$3.2060
For the next	5	3.2572	2.9167	2.0311	3.2060
For the next	188	3.2723	1.3471	1.5079	2.1661
For the next	3,547	1.1361	0.8889	0.9816	1.0832
For all over	3,750	1.1361	0.8889	0.9816	1.0832
	Hundred Cubic Feet Per Month	Rate per 100 Cubic Feet	Rate per 100 Cubic Feet	Rate per 100 Cubic Feet	Rate per 100 Cubic Feet
For the first	13	$2.4429	$2.1875	$1.5233	$2.4045
For the next	7	2.4429	2.1875	1.5233	2.4045
For the next	250	2.4542	1.0103	1.1309	1.6246
For the next	4,730	0.8521	0.6667	0.7362	0.8124
For all over	5,000	0.8521	0.6667	0.7362	0.8124

Issued: ____________________ Effective ____________________

Issued by: Terry L. Gloriod, President
555 E. County Line Road
Greenwood, Indiana 46143

CLASSIFICATION OF SERVICE

GENERAL WATER SERVICE

Customer Charge

All metered general water service and sale for resale customers shall pay a Customer Charge based on the size of meter installed (or multiple meters installed--in which case, the charge is based on the total of all meters installed). The Customer Charge rates are listed below and do not include any allowance for water usage.

	Group 2 (1) **Mooresville**	**Group 3 Warsaw West Lafayette**	**Group 2 Winchester**
Meter Size	Monthly Charge	Monthly Charge	Monthly Charge
5/8"	$14.90	$10.87	$12.08
3/4"	22.34	16.30	18.11
1"	37.25	27.17	30.18
1-1/2"	74.50	54.32	60.36
2"	119.18	86.92	96.58
3"	223.51	162.99	181.10
4"	372.47	271.64	301.82
6"	744.94	543.29	603.65
8"	1,191.91	869.26	965.85
10"	1,936.84	1,412.54	1,569.50
12"	3,203.23	2,336.14	2,595.71

Notes to above table:

(1) The rates for the Public Fire Protection are included in the base rates in accordance with the Town Council of the civil Town of Mooresville, Ordinance 5-1993.

CLASSIFICATION OF SERVICE

FIRE SERVICE

Private Fire Service

Applicable to all customers, within the service territories of the Company, having private fire hydrants and fire service lines.

	Group 1 Mooresville West Lafayette	**Group 4 Warsaw Winchester**
Size of Service	Monthly Charge	Monthly Charge
2"	$8.70	$11.26
2-1/2"	13.56	17.56
3"	19.55	25.32
4"	34.78	45.03
6"	78.23	101.33
8"	139.07	180.12
10"	217.31	281.45
12"	312.92	405.27

Private Fire Hydrant

Applicable only to customers in the following operations charging a rate for private fire hydrant service.

	Group 1 Mooresville West Lafayette	**Group 4 Warsaw Winchester**
	Monthly Charge	Monthly Charge
Per hydrant	$39.12	$50.66

CLASSIFICATION OF SERVICE

FIRE SERVICE

Public Fire Hydrants

To all political subdivisions within the applicable service territories of the Company.

	Group 3 Mooresville	**Group 4 West Lafayette**	**Group 2 Winchester**
	Monthly Charge	Monthly Charge	Monthly Charge
Per Hydrant	$0.00	$24.19	$43.98

Notes to above table:

(2) The rates for the Public Fire Protection are included in the base rates in accordance with the Town Council of the civil Town of Mooresville, Ordinance 5-1993.

Public Fire Protection Suburban Surcharge

Appplicability

Applicable to any water customer located within 1,000 feet of a public fire hydrant (measured from the hydrant to the nearest point on the property line of the customer) on the Company's distribution system mains in areas not within municipal boundaries, unless a Public Fire Protection Surcharge under I.C. 8-1-2-103 applies to the customer. In addition to the charges for water service under currently approved tariffs, a public fire protection surcharge per month shall be charged to, and collected from, each customer to whom said surcharge is hereby made applicable.

	Group 3 West Lafayette	**Group 2 Winchester**
	Monthly Charge	Monthly Charge
Surcharge	$2.82	$2.98

CLASSIFICATION OF SERVICE

FIRE SERVICE

Public Fire Protection Surcharge Under I.C. 8-1-2-103

In accordance with I.C. 8-1-2-103 (d), the Company shall recover the costs for public fire protection service in certain operations from its metered customers. In addition to all other charges for water service, all metered general water service customers having the meter sizes listed below shall pay a Public Fire Protection Surcharge based upon the size of meter installed. If multiple meters are installed, the surcharge shall be based upon the total of all meters installed.

	Group 4 Warsaw
Meter Size	Surcharge
5/8"	$1.64
3/4"	2.45
1"	4.09
1-1/2"	8.19
2"	13.09
3"	24.55
4"	40.89
6"	81.80
8"	130.88
10"	212.68
12"	351.73

CLASSIFICATION OF SERVICE

MISCELLANEOUS CHARGES

Reconnection Charge

During normal business hours	$18.00
After normal business hours	55.00

Return Check Charge

A charge of $8.00 will be made in the event the customer's check or bank draft is returned by the bank for insufficient funds, closed account or some other appropriate reason.

After Hours Service Charge

A charge of $20.00 per call will be made for non-emergency customer service calls made after normal working hours, weekends, or holidays at the customer's request, provided the reason for the call was not the fault of the water company. This charge is separate and distinct from the reconnection charges or any other charges. It is non-cumulative in respect to the other charges listed.

Rebates and Abatements

When a customer has an extended absence exceeding two months, there will be no abatement of water rates unless the customer notifies the company in sufficient time so the meter can be removed before the customer departs. Service shall be resumed upon notification by the customer and his payment of a $10.00 service charge, which also includes the cost of removal of the meter.

See Rule XIII for further detail.

Other Water Sales

Bulk rate sales of water and coin operated water machines will be charged at the current schedule of metered rates.

DEFERRED MAIN EXTENSION MONTHLY PAYMENT

Deferred Main Extension Monthly Payment will apply to customers receiving water service through a main extension installed under the Rules and Regulations Governing Water Main Extensions III. In addition to the rates and charges for General Water Service and, where applicable, Fire Service, such customers will pay a Deferred Main Extension Monthly Payment computed in accordance with the Rules and Regulations Governing Water Main Extensions III and based on the cost of the main extension.

Appendix A

Distribution System Improvement Charge (DSIC)

The Distribution System Improvement Charge (DSIC) set forth on this schedule is applicable where clearly denoted on other rate schedules, and shall be added to the volumetric rates billed. Changes to the DSIC shall be occasioned by filings in accordance with Indiana Code Chapter 8-1-31.

	Mooresville	Warsaw	West Lafayette	Winchester
Rate per 100 cubic feet	$0.00	$0.00	$0.00	$0.00
Rate per 1000 gallons	$0.00	$0.00	$0.00	$0.00

INDIANA-AMERICAN WATER COMPANY, INC.

GREENWOOD, INDIANA

SCHEDULES OF RATES AND TARIFFS FOR SEWER SERVICE

IN AND ADJACENT TO

SOMERSET, INDIANA

DELAWARE COUNTY, INDIANA
(MUNCIE SEWER)

ISSUED:

Pursuant to order of Indiana Utility Regulatory Commission approved ____________________ in Cause No. 43187

EFFECTIVE:

For all water service on and after date of approval by Tariff Division of Engineering Division of Indiana Utility Regulatory Commission.

INDIANA-AMERICAN WATER COMPANY, INC.

By: ____
Terry L. Gloriod, President

Date Approved
By Tariff Division of Engineering
Division of IURC

SCHEDULE OF CHARGES FOR SEWER SERVICE
IN SOMERSET, INDIANA

Availability

Available to any sewer customer. Applicant must be located on Company's collecting mains suitable for supplying the service requested in Somerset, Indiana, and adjacent areas.

Rate per month $66.74

The equivalent daily usage per unit of a multi-family customer is equivalent to .70 of a single family residence. Accordingly, the number of units of a multi-family customer shall be multiplied by .70 to determine the billing units to be charged the monthly rate above.

SCHEDULE OF CHARGES FOR SEWER SERVICE
IN DELAWARE COUNTY, INDIANA (MUNCIE SEWER)

Availability

Available to any sewer customer. Applicant must be located on Company's collecting mains suitable for supplying the service requested in the Farmington and Farmington Meadows subdivisions located north of the City of Muncie in Delaware County, and adjacent areas.

Rate per month $66.74

Issued: ______________ Effective: ______________

Issued by: Terry L. Gloriod, President
555 E. County Line Road
Greenwood, Indiana 46143

Indiana American Water Company, Inc.
Test year ended June 30, 2006

Petitioner's Exhibit GMV-5
Schedule 1
Page 1 of 3
Cause Number 43187

Class and Schedule Revenue Summary
Crawfordsville

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 1,407,422	$ 6,975	$ 1,414,397	47.46%	$ 1,668,177	47.63%	$ 253,780	17.94%
2									
3	Commercial	805,462	(8,532)	796,930	26.74%	932,230	26.62%	135,300	16.98%
4									
5	Industrial	426,876	(12,301)	414,575	13.91%	480,899	13.73%	66,324	16.00%
6									
7	O.P.A.	92,946	(964)	91,982	3.09%	107,853	3.08%	15,871	17.25%
8									
9	Sales For Resale	0	0	0	0.00%	0	0.00%	0	0.00%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	1,019	3,785	4,804	0.16%	5,606	0.16%	802	16.69%
14									
15	Private Fire Service	90,431	(2,249)	88,182	2.96%	105,534	3.01%	17,352	19.68%
16									
17	Public Fire Service	167,208	(1,866)	165,342	5.55%	197,632	5.64%	32,290	19.53%
18									
19	Total Water Revenues	$ 2,991,364	$ (15,152)	$ 2,976,212	99.86%	$ 3,497,931	99.88%	$ 521,719	17.53%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	5,212	(1,118)	4,094	0.14%	4,094	0.12%	0	0.00%
25									
26	Unbilled Revenues	(38,502)	38,502	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 2,958,074	$ 22,232	$ 2,980,306	100.00%	$ 3,502,025	100.00%	$ 521,719	17.51%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Water Group Two Districts
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-17-A

R[illegible]e Increase Required:	$ 5,814,145
DSIC Revenue at Present Rates:	1,250,156
Revenue Required for Rate Calculation:	$ 7,064,301
Present Revenue Subject to Increase:	$ 70,121,563
DSIC Revenues at Present Rates:	1,250,156
Present Revenue Less DSIC Revenues at Present Rates:	$ 68,871,407
Percentage Increase:	19.675420%

Water Group 2 District:	Present Rates 1/19/2005	Proposed Rates 12/1/2006				
Customer Charge:						
Monthly						
5/8 inch	$ 10.09	$ 12.08				
3/4 inch	15.13	18.11				
1 inch	25.22	30.18				
1 1/2 inch	50.44	60.36				
2 inch	80.70	96.58				
3 inch	151.33	181.10				
4 inch	252.20	301.82				
6 inch	504.41	603.65				
8 inch	807.06	965.85				
10 inch	1,311.46	1,569.50				
12 inch	2,168.96	2,595.71				
Consumption Charge:						
Monthly CCF						
1st block	$ 2.1497	$ 2.5727	Johnson County and Southern Indiana Only			
2nd block	1.5574	1.8638				
3rd block	1.0977	1.3137	Present Rates	Proposed Rates		
4th block	-	-				
5th block	-	-				
DS[illegible]rcharge per CCF	0.0550	-				
Sa[illegible]Resale - CCF	1.3582	1.6254	1.0187	1.2191		
			Preble County Only			
New Whiteland			Present Rates	Proposed Rates		
Monthly Minimum Charge:						
Consumption Charge:	$ 1.0187	$ 1.2191				
Whiteland						
Monthly Minimum Charge:	$ 4,036.15	$ 4,830.28	$ 5,332.81	$ 6,382.06		
Consumption Charge - Over 4,000 ccf:	1.0187	1.2191				
			Crawfordsville Only		Richmond and Wabash Valley Only	
Public Fire Protection Surcharge Monthly			Present Rates	Proposed Rates	Present Rates	Proposed Rates
5/8 inch	$ 2.36	$ 2.82	$ 1.95	$ 2.33	$ 2.49	$ 2.98
3/4 inch	3.54	4.24	2.93	3.51	3.73	4.46
1 inch	5.91	7.07	4.88	5.84	6.21	7.43
1 1/2 inch	11.81	14.13	9.76	11.68	12.43	14.88
2 inch	18.89	22.61	15.62	18.69	19.89	23.80
3 inch	35.43	42.40	29.29	35.05	37.28	44.61
4 inch	59.03	70.64	48.82	58.43	62.13	74.35
6 inch	118.06	141.29	97.64	116.85	124.27	148.72
8 inch	188.89	226.05	156.22	186.96	198.83	237.95
10 inch	306.95	367.34	253.86	303.81	323.11	386.68
12 inch	507.64	607.52	419.85	502.46	534.36	639.50
Private Fire Rate:			Muncie, Richmond, Wabash Valley Only		Newburgh and Shelbyville Only	
Monthly						
2 inch	$ 5.71	$ 6.83	$ 7.27	$ 8.70	$ 4.35	$ 5.21
2 1/2 inch	8.89	10.64	11.33	13.56	6.78	8.11
3 inch	12.83	15.35	16.34	19.55	9.77	11.69
4 inch	22.81	27.30	29.06	34.78	17.37	20.79
6 inch	51.31	61.41	65.37	78.23	39.10	46.79
8 inch	91.22	109.17	116.21	139.07	69.51	83.19
10 inch	142.53	170.57	181.58	217.31	108.61	129.98
12 inch	205.24	245.62	261.47	312.92	156.39	187.16
[illegible]	-	-				
H[illegible] Rental	25.66	30.71			$ 19.56	$ 23.41
Public [illegible]ire Service - Monthly			Crawfordsville Only			
Hydrant Rental	$ 34.91	$ 41.78	$ 36.75	$ 43.98		
Surcharge	2.36	2.82	2.49	2.98		

Typical Residential Bill Comparison
Crawfordsville

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 2.1497	0-20	$ 2.5727
21-5,000	1.5574	21-5,000	1.8638
over 5,000	1.0977	over 5,000	1.3137

5/8" Meter Customer Charge Comparison

Monthly Customer Charge - Present:	$ 10.09	Monthly Customer Charge - Proposed:	$ 12.08

5/8" Bill Comparison

Present Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 10.09	$ 12.08	$ 1.99	19.72%
1	12.24	14.65	2.41	19.69%
2	14.39	17.23	2.84	19.74%
3	16.54	19.80	3.26	19.71%
4	18.69	22.37	3.68	19.69%
5	20.84	24.94	4.10	19.67%
6	22.99	27.52	4.53	19.70%
7	25.14	30.09	4.95	19.69%
8	27.29	32.66	5.37	19.68%
9	29.44	35.23	5.79	19.67%
10	31.59	37.81	6.22	19.69%
12	35.89	42.95	7.06	19.67%
14	40.19	48.10	7.91	19.68%
16	44.49	53.24	8.75	19.67%
18	48.78	58.39	9.61	19.70%
20	53.08	63.53	10.45	19.69%
22	56.19	67.26	11.07	19.70%
24	59.31	70.99	11.68	19.69%
26	62.42	74.71	12.29	19.69%
28	65.54	78.44	12.90	19.68%
30	68.65	82.17	13.52	19.69%
40	84.23	100.81	16.58	19.68%
50	99.80	119.44	19.64	19.68%
100	177.67	212.63	34.96	19.68%

Class and Schedule Revenue Summary
Johnson County

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 7,373,177	$ 73,820	$ 7,446,997	60.72%	$ 8,774,031	60.88%	$ 1,327,034	17.82%
2									
3	Commercial	2,636,489	34,053	2,670,542	21.78%	3,117,171	21.63%	446,629	16.72%
4									
5	Industrial	360,224	6,921	367,145	2.99%	426,759	2.96%	59,614	16.24%
6									
7	O.P.A.	274,250	3,163	277,413	2.26%	324,235	2.25%	46,822	16.88%
8									
9	Sales For Resale	360,120	15,133	375,253	3.06%	426,998	2.96%	51,745	13.79%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	0	0	0	0.00%	0	0.00%	0	0.00%
14									
15	Private Fire Service	257,596	(673)	256,923	2.10%	308,313	2.14%	51,390	20.00%
16									
17	Public Fire Service	825,116	23,141	848,257	6.92%	1,014,239	7.04%	165,982	19.57%
18									
19	Total Water Revenues	$ 12,086,972	$ 155,558	$ 12,242,530	99.83%	$ 14,391,746	99.85%	$ 2,149,216	17.56%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	21,385	(99)	21,286	0.17%	21,286	0.15%	0	0.00%
25									
26	Unbilled Revenues	(106,777)	106,777	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 12,001,580	$ 262,236	$ 12,263,816	100.00%	$ 14,413,032	100.00%	$ 2,149,216	17.52%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Water Group Two Districts
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-17-A

R[illegible]ue Increase Required:	$ 5,814,145
DSIC Revenue at Present Rates:	1,250,156
Revenue Required for Rate Calculation:	$ 7,064,301
Present Revenue Subject to Increase:	$ 70,121,563
DSIC Revenues at Present Rates:	1,250,156
Present Revenue Less DSIC Revenues at Present Rates:	$ 68,871,407
Percentage Increase:	19.675420%

Water Group 2 District:	Present Rates 1/19/2005	Proposed Rates 12/1/2006				
Customer Charge:						
Monthly						
5/8 inch	$ 10.09	$ 12.08				
3/4 inch	15.13	18.11				
1 inch	25.22	30.18				
1 1/2 inch	50.44	60.36				
2 inch	80.70	96.58				
3 inch	151.33	181.10				
4 inch	252.20	301.82				
6 inch	504.41	603.65				
8 inch	807.06	965.85				
10 inch	1,311.46	1,569.50				
12 inch	2,168.96	2,595.71				
Consumption Charge:						
Monthly CCF						
1st block	$ 2.1497	$ 2.5727	**Johnson County and Southern Indiana Only**			
2nd block	1.5574	1.8638				
3rd block	1.0977	1.3137	**Present Rates**	**Proposed Rates**		
4th block	-	-				
5th block	-	-				
DS[illegible]rcharge per CCF	0.0550	-				
Sa[illegible]Resale - CCF	1.3582	1.6254	1.0187	1.2191		
			Preble County Only			
New Whiteland			**Present Rates**	**Proposed Rates**		
Monthly Minimum Charge:						
Consumption Charge:	$ 1.0187	$ 1.2191				
Whiteland						
Monthly Minimum Charge:	$ 4,036.15	$ 4,830.28	$ 5,332.81	$ 6,382.06		
Consumption Charge - Over 4,000 ccf:	1.0187	1.2191				
			Crawfordsville Only		**Richmond and Wabash Valley Only**	
Public Fire Protection Surcharge Monthly			**Present Rates**	**Proposed Rates**	**Present Rates**	**Proposed Rates**
5/8 inch	$ 2.36	$ 2.82	$ 1.95	$ 2.33	$ 2.49	$ 2.98
3/4 inch	3.54	4.24	2.93	3.51	3.73	4.46
1 inch	5.91	7.07	4.88	5.84	6.21	7.43
1 1/2 inch	11.81	14.13	9.76	11.68	12.43	14.88
2 inch	18.89	22.61	15.62	18.69	19.89	23.80
3 inch	35.43	42.40	29.29	35.05	37.28	44.61
4 inch	59.03	70.64	48.82	58.43	62.13	74.35
6 inch	118.06	141.29	97.64	116.85	124.27	148.72
8 inch	188.89	226.05	156.22	186.96	198.83	237.95
10 inch	306.95	367.34	253.86	303.81	323.11	386.68
12 inch	507.64	607.52	419.85	502.46	534.36	639.50
Private Fire Rate:			**Muncie, Richmond, Wabash Valley Only**		**Newburgh and Shelbyville Only**	
Monthly						
2 inch	$ 5.71	$ 6.83	$ 7.27	$ 8.70	$ 4.35	$ 5.21
2 1/2 inch	8.89	10.64	11.33	13.56	6.78	8.11
3 inch	12.83	15.35	16.34	19.55	9.77	11.69
4 inch	22.81	27.30	29.06	34.78	17.37	20.79
6 inch	51.31	61.41	65.37	78.23	39.10	46.79
8 inch	91.22	109.17	116.21	139.07	69.51	83.19
10 inch	142.53	170.57	181.58	217.31	108.61	129.98
12 inch	205.24	245.62	261.47	312.92	156.39	187.16
	-	-				
H[illegible]t Rental	25.66	30.71			$ 19.56	$ 23.41
Public Fire Service - Monthly			**Crawfordsville Only**			
Hydrant Rental	$ 34.91	$ 41.78	$ 36.75	$ 43.98		
Surcharge	2.36	2.82	2.49	2.98		

Typical Residential Bill Comparison
Johnson County

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 2.1497	0-20	$ 2.5727
21-5,000	$ 1.5574	21-5,000	$ 1.8638
over 5,000	$ 1.0977	over 5,000	$ 1.3137

5/8" Meter Customer Charge Comparison

Monthly Customer Charge - Present:	$ 10.09	Monthly Customer Charge - Proposed:	$ 12.08

5/8" Bill Comparison

Present Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 10.09	$ 12.08	$ 1.99	19.72%
1	12.24	14.65	2.41	19.69%
2	14.39	17.23	2.84	19.74%
3	16.54	19.80	3.26	19.71%
4	18.69	22.37	3.68	19.69%
5	20.84	24.94	4.10	19.67%
6	22.99	27.52	4.53	19.70%
7	25.14	30.09	4.95	19.69%
8	27.29	32.66	5.37	19.68%
9	29.44	35.23	5.79	19.67%
10	31.59	37.81	6.22	19.69%
12	35.89	42.95	7.06	19.67%
14	40.19	48.10	7.91	19.68%
16	44.49	53.24	8.75	19.67%
18	48.78	58.39	9.61	19.70%
20	53.08	63.53	10.45	19.69%
22	56.19	67.26	11.07	19.70%
24	59.31	70.99	11.68	19.69%
26	62.42	74.71	12.29	19.69%
28	65.54	78.44	12.90	19.68%
30	68.65	82.17	13.52	19.69%
40	84.23	100.81	16.58	19.68%
50	99.80	119.44	19.64	19.68%
100	177.67	212.63	34.96	19.68%

Class and Schedule Revenue Summary
Kokomo

Line No.	Class/ Description (A)	Test Year Revenues (B)	Adjustment (C)	Present Total Revenue (D)	% of Revenue to Total (E)	Proposed Total Revenue (F)	% of Revenue to Total (G)	Dollar Increase (H)	Total Revenue % Increase (I)
1	Residential	$ 6,009,825	$ 3,421	$ 6,013,246	49.48%	$ 7,102,877	49.73%	$ 1,089,631	18.12%
2									
3	Commercial	2,563,567	19,711	2,583,278	21.26%	3,029,607	21.21%	446,329	17.28%
4									
5	Industrial	2,054,517	49,573	2,104,090	17.31%	2,427,610	17.00%	323,520	15.38%
6									
7	O.P.A.	373,770	5,588	379,358	3.12%	443,552	3.11%	64,194	16.92%
8									
9	Sales For Resale	0	0	0	0.00%	0	0.00%	0	0.00%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	9,030	(9,048)	(18)	0.00%	(18)	0.00%	0	0.00%
14									
15	Private Fire Service	229,125	(49)	229,076	1.88%	274,144	1.92%	45,068	19.67%
16									
17	Public Fire Service	770,410	51,811	822,221	6.77%	983,873	6.89%	161,652	19.66%
18									
19	Total Water Revenues	$ 12,010,244	$ 121,007	$ 12,131,251	99.82%	$ 14,261,645	99.84%	$ 2,130,394	17.56%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	22,298	174	22,472	0.18%	22,472	0.16%	0	0.00%
25									
26	Unbilled Revenues	(82,394)	82,394	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 11,950,148	$ 203,575	$ 12,153,723	100.00%	$ 14,284,117	100.00%	$ 2,130,394	17.53%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Water Group One Districts
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-17-A

Revenue Increase Required:	$ 3,557,001
DSIC Revenue at Present Rates:	357,209
Revenue Required for Rate Calculation:	$ 3,914,210
Present Revenue Subject to Increase:	$ 22,033,026
DSIC Revenues at Present Rates:	357,209
Present Revenue Less DSIC Revenues at Present Rates:	$ 21,675,817
Percentage Increase:	19.675420%

Water Group 1 Districts:	Present Rates 6/9/2005	Proposed Rates 12/1/2006	Present Rates 6/9/2005	Proposed Rates 12/1/2006
Customer Charge:				
Monthly				
5/8 inch	$ 11.50	$ 13.76		
3/4 inch	17.25	20.64		
1 inch	28.76	34.42		
1 1/2 inch	57.51	68.83		
2 inch	92.01	110.11		
3 inch	172.54	206.49		
4 inch	287.56	344.14		
6 inch	575.12	688.28		
8 inch	920.19	1,101.24		
10 inch	1,495.31	1,789.52		
12 inch	2,473.02	2,959.60		
Consumption Charge:			Freeman (Seymour) Only	
Monthly CCF				
1st block	$ 2.4511	$ 2.9334	$ 2.4907	$ 2.9808
2nd block	1.7758	2.1252	1.7041	2.0394
3rd block	1.2515	1.4977	1.0924	1.3073
4th block	-	-	1.5871	1.8994
5th block	-	-		
DSIC Surcharge per CCF	0.0550	-		
Sale for Resale - CCF	1.5486	1.8533		
Minimum Bill - Flowing Wells Residential Customer	$ 19.61	$ 23.47		
Minimum Bill - Flowing Wells Commercial Customer	22.88	27.38		
			Kokomo Only	
			Present Rates	Proposed Rates
Public Fire Protection Surcharge Monthly	Noblesville Only			
5/8 inch	$ 2.36	$ 2.82	$ 2.95	$ 3.53
3/4 inch	3.54	4.24	4.42	5.29
1 inch	5.91	7.07	7.37	8.82
1 1/2 inch	11.81	14.13	14.73	17.63
2 inch	18.89	22.61	23.57	28.21
3 inch	35.43	42.40	44.19	52.88
4 inch	59.03	70.64	73.65	88.14
6 inch	118.06	141.29	147.31	176.29
8 inch	188.89	226.05	235.69	282.06
10 inch	306.95	367.34	383.00	458.36
12 inch	507.64	607.52	633.42	758.05
Private Fire Rate:	Noblesville		Kokomo, Seymour and Summitville	
Monthly				
2 inch	$ 5.71	$ 6.83	$ 7.27	$ 8.70
2 1/2 inch	8.89	10.64	11.33	13.56
3 inch	12.83	15.35	16.34	19.55
4 inch	22.81	27.30	29.06	34.78
6 inch	51.31	61.41	65.37	78.23
8 inch	91.22	109.17	116.21	139.07
10 inch	142.53	170.57	181.58	217.31
12 inch	205.24	245.62	261.47	312.92
16 inch	-	-	-	-
Hydrant Rental	25.66	30.71	32.69	39.12
Public Fire Service - Monthly	Summitville Only		Kokomo & Seymour Only	
Hydrant Rental	$ 34.91	$ 41.78	$ 42.27	$ 50.59
Surcharge	2.36	2.82	2.86	3.42

Typical Residential Bill Comparison
Kokomo

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 2.4511	0-20	$ 2.9334
21-5,000	1.7758	21-5,000	2.1252
over 5,000	1.2515	over 5,000	1.4977

5/8" Meter Customer Charge Comparison

Monthly Customer Charge - Present: $ 11.50   Monthly Customer Charge - Proposed: $ 13.76

5/8" Bill Comparison

Present Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 11.50	$ 13.76	$ 2.26	19.65%
1	13.95	16.69	2.74	19.64%
2	16.40	19.63	3.23	19.70%
3	18.85	22.56	3.71	19.68%
4	21.30	25.49	4.19	19.67%
5	23.76	28.43	4.67	19.65%
6	26.21	31.36	5.15	19.65%
7	28.66	34.29	5.63	19.64%
8	31.11	37.23	6.12	19.67%
9	33.56	40.16	6.60	19.67%
10	36.01	43.09	7.08	19.66%
12	40.91	48.96	8.05	19.68%
14	45.82	54.83	9.01	19.66%
16	50.72	60.69	9.97	19.66%
18	55.62	66.56	10.94	19.67%
20	60.52	72.43	11.91	19.68%
22	64.07	76.68	12.61	19.68%
24	67.62	80.93	13.31	19.68%
26	71.17	85.18	14.01	19.69%
28	74.73	89.43	14.70	19.67%
30	78.28	93.68	15.40	19.67%
40	96.04	114.93	18.89	19.67%
50	113.79	136.19	22.40	19.69%
100	202.58	242.45	39.87	19.68%

Class and Schedule Revenue Summary
Muncie

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 6,825,979	$ (25,842)	$ 6,800,137	56.54%	$ 8,023,893	56.67%	$ 1,223,756	18.00%
2									
3	Commercial	2,786,774	(48,790)	2,737,984	22.77%	3,206,011	22.64%	468,027	17.09%
4									
5	Industrial	390,966	(4,542)	386,424	3.21%	449,355	3.17%	62,931	16.29%
6									
7	O.P.A.	985,287	(29,529)	955,758	7.95%	1,112,443	7.86%	156,685	16.39%
8									
9	Sales For Resale	0	0	0	0.00%	0	0.00%	0	0.00%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	(17)	0	(17)	0.00%	(17)	0.00%	0	0.00%
14									
15	Private Fire Service	376,477	1,877	378,354	3.15%	452,787	3.20%	74,433	19.67%
16									
17	Public Fire Service	749,324	(627)	748,697	6.23%	895,994	6.33%	147,297	19.67%
18									
19	Total Water Revenues	$ 12,114,790	$ (107,453)	$ 12,007,337	99.84%	$ 14,140,466	99.86%	$ 2,133,129	17.77%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	18,231	972	19,203	0.16%	19,203	0.14%	0	0.00%
25									
26	Unbilled Revenues	(184,624)	184,624	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 11,948,397	$ 78,143	$ 12,026,540	100.00%	$ 14,159,669	100.00%	$ 2,133,129	17.74%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Water Group Two Districts
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-17-A

R[illegible]ue Increase Required:	$ 5,814,145
DSIC Revenue at Present Rates:	1,250,156
Revenue Required for Rate Calculation:	$ 7,064,301
Present Revenue Subject to Increase:	$ 70,121,563
DSIC Revenues at Present Rates:	1,250,156
Present Revenue Less DSIC Revenues at Present Rates:	$ 68,871,407
Percentage Increase:	19.675420%

Water Group 2 District:	Present Rates 1/19/2005	Proposed Rates 12/1/2006				
Customer Charge:						
Monthly						
5/8 inch	$ 10.09	$ 12.08				
3/4 inch	15.13	18.11				
1 inch	25.22	30.18				
1 1/2 inch	50.44	60.36				
2 inch	80.70	96.58				
3 inch	151.33	181.10				
4 inch	252.20	301.82				
6 inch	504.41	603.65				
8 inch	807.06	965.85				
10 inch	1,311.46	1,569.50				
12 inch	2,168.96	2,595.71				
Consumption Charge:						
Monthly CCF						
1st block	$ 2.1497	$ 2.5727	Johnson County and Southern Indiana Only			
2nd block	1.5574	1.8638				
3rd block	1.0977	1.3137	Present Rates	Proposed Rates		
4th block	-	-				
5th block	-	-				
DS[illegible]rcharge per CCF	0.0550	-				
S[illegible] Resale - CCF	1.3582	1.6254	1.0187	1.2191		
			Preble County Only			
New Whiteland			Present Rates	Proposed Rates		
Monthly Minimum Charge:						
Consumption Charge:	$ 1.0187	$ 1.2191				
Whiteland						
Monthly Minimum Charge:	$ 4,036.15	$ 4,830.28	$ 5,332.81	$ 6,382.06		
Consumption Charge - Over 4,000 ccf:	1.0187	1.2191				
			Crawfordsville Only		Richmond and Wabash Valley Only	
Public Fire Protection Surcharge Monthly			Present Rates	Proposed Rates	Present Rates	Proposed Rates
5/8 inch	$ 2.36	$ 2.82	$ 1.95	$ 2.33	$ 2.49	$ 2.98
3/4 inch	3.54	4.24	2.93	3.51	3.73	4.46
1 inch	5.91	7.07	4.88	5.84	6.21	7.43
1 1/2 inch	11.81	14.13	9.76	11.68	12.43	14.88
2 inch	18.89	22.61	15.62	18.69	19.89	23.80
3 inch	35.43	42.40	29.29	35.05	37.28	44.61
4 inch	59.03	70.64	48.82	58.43	62.13	74.35
6 inch	118.06	141.29	97.64	116.85	124.27	148.72
8 inch	188.89	226.05	156.22	186.96	198.83	237.95
10 inch	306.95	367.34	253.86	303.81	323.11	386.68
12 inch	507.64	607.52	419.85	502.46	534.36	639.50
Private Fire Rate:			Muncie, Richmond, Wabash Valley Only		Newburgh and Shelbyville Only	
Monthly						
2 inch	$ 5.71	$ 6.83	$ 7.27	$ 8.70	$ 4.35	$ 5.21
2 1/2 inch	8.89	10.64	11.33	13.56	6.78	8.11
3 inch	12.83	15.35	16.34	19.55	9.77	11.69
4 inch	22.81	27.30	29.06	34.78	17.37	20.79
6 inch	51.31	61.41	65.37	78.23	39.10	46.79
8 inch	91.22	109.17	116.21	139.07	69.51	83.19
10 inch	142.53	170.57	181.58	217.31	108.61	129.98
12 inch	205.24	245.62	261.47	312.92	156.39	187.16
[illegible]h	-	-				
F[illegible]t Rental	25.66	30.71			$ 19.56	$ 23.41
Public Fire Service - Monthly			Crawfordsville Only			
Hydrant Rental	$ 34.91	$ 41.78	$ 36.75	$ 43.98		
Surcharge	2.36	2.82	2.49	2.98		

Typical Residential Bill Comparison
Muncie

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 2.1497	0-20	$ 2.5727
21-5,000	$ 1.5574	21-5,000	$ 1.8638
over 5,000	$ 1.0977	over 5,000	$ 1.3137

5/8" Meter Customer Charge Comparison

Monthly Customer Charge - Current: $ 10.09 Monthly Customer Charge - Proposed: $ 12.08

5/8" Bill Comparison

Present Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 10.09	$ 12.08	$ 1.99	19.72%
1	12.24	14.65	2.41	19.69%
2	14.39	17.23	2.84	19.74%
3	16.54	19.80	3.26	19.71%
4	18.69	22.37	3.68	19.69%
5	20.84	24.94	4.10	19.67%
6	22.99	27.52	4.53	19.70%
7	25.14	30.09	4.95	19.69%
8	27.29	32.66	5.37	19.68%
9	29.44	35.23	5.79	19.67%
10	31.59	37.81	6.22	19.69%
12	35.89	42.95	7.06	19.67%
14	40.19	48.10	7.91	19.68%
16	44.49	53.24	8.75	19.67%
18	48.78	58.39	9.61	19.70%
20	53.08	63.53	10.45	19.69%
22	56.19	67.26	11.07	19.70%
24	59.31	70.99	11.68	19.69%
26	62.42	74.71	12.29	19.69%
28	65.54	78.44	12.90	19.68%
30	68.65	82.17	13.52	19.69%
40	84.23	100.81	16.58	19.68%
50	99.80	119.44	19.64	19.68%
100	177.67	212.63	34.96	19.68%

Class and Schedule Revenue Summary
Newburgh

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 2,329,977	$ (8,403)	$ 2,321,574	82.50%	$ 2,734,904	82.48%	$ 413,330	17.80%
2									
3	Commercial	239,705	(861)	238,844	8.49%	280,068	8.45%	41,224	17.26%
4									
5	Industrial	19,256	342	19,598	0.70%	22,847	0.69%	3,249	16.58%
6									
7	O.P.A.	25,399	285	25,684	0.91%	30,130	0.91%	4,446	17.31%
8									
9	Sales For Resale	0	0	0	0.00%	0	0.00%	0	0.00%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	69	0	69	0.00%	69	0.00%	0	0.00%
14									
15	Private Fire Service	9,989	(32)	9,957	0.35%	11,916	0.36%	1,959	19.67%
16									
17	Public Fire Service	198,254	(5,577)	192,677	6.85%	230,251	6.94%	37,574	19.50%
18									
19	Total Water Revenues	$ 2,822,649	$ (14,246)	$ 2,808,403	99.80%	$ 3,310,185	99.83%	$ 501,782	17.87%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	5,874	(161)	5,713	0.20%	5,713	0.17%	0	0.00%
25									
26	Unbilled Revenues	5,842	(5,842)	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 2,834,365	$ (20,249)	$ 2,814,116	100.00%	$ 3,315,898	100.00%	$ 501,782	17.83%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Water Group Two Districts
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-17-A

Revenue Increase Required:	$ 5,814,145
DSIC Revenue at Present Rates:	1,250,156
Revenue Required for Rate Calculation:	$ 7,064,301
Present Revenue Subject to Increase:	$ 70,121,563
DSIC Revenues at Present Rates:	1,250,156
Present Revenue Less DSIC Revenues at Present Rates:	$ 68,871,407
Percentage Increase:	19.675420%

Water Group 2 District:	Present Rates 1/19/2005	Proposed Rates 12/1/2006				
Customer Charge:						
Monthly						
5/8 inch	$ 10.09	$ 12.08				
3/4 inch	15.13	18.11				
1 inch	25.22	30.18				
1 1/2 inch	50.44	60.36				
2 inch	80.70	96.58				
3 inch	151.33	181.10				
4 inch	252.20	301.82				
6 inch	504.41	603.65				
8 inch	807.06	965.85				
10 inch	1,311.46	1,569.50				
12 inch	2,168.96	2,595.71				
Consumption Charge:						
Monthly CCF						
1st block	$ 2.1497	$ 2.5727	Johnson County and Southern Indiana Only			
2nd block	1.5574	1.8638				
3rd block	1.0977	1.3137	Present Rates	Proposed Rates		
4th block	-	-				
5th block	-	-				
DSIC Surcharge per CCF	0.0550	-				
Sale for Resale - CCF	1.3582	1.6254	1.0187	1.2191		
			Preble County Only			
New Whiteland			Present Rates	Proposed Rates		
Monthly Minimum Charge:						
Consumption Charge:	$ 1.0187	$ 1.2191				
Whiteland						
Monthly Minimum Charge:	$ 4,036.15	$ 4,830.28	$ 5,332.81	$ 6,382.06		
Consumption Charge - Over 4,000 ccf:	1.0187	1.2191				
			Crawfordsville Only		Richmond and Wabash Valley Only	
Public Fire Protection Surcharge Monthly			Present Rates	Proposed Rates	Present Rates	Proposed Rates
5/8 inch	$ 2.36	$ 2.82	$ 1.95	$ 2.33	$ 2.49	$ 2.98
3/4 inch	3.54	4.24	2.93	3.51	3.73	4.46
1 inch	5.91	7.07	4.88	5.84	6.21	7.43
1 1/2 inch	11.81	14.13	9.76	11.68	12.43	14.88
2 inch	18.89	22.61	15.62	18.69	19.89	23.80
3 inch	35.43	42.40	29.29	35.05	37.28	44.61
4 inch	59.03	70.64	48.82	58.43	62.13	74.35
6 inch	118.06	141.29	97.64	116.85	124.27	148.72
8 inch	188.89	226.05	156.22	186.96	198.83	237.95
10 inch	306.95	367.34	253.86	303.81	323.11	386.68
12 inch	507.64	607.52	419.85	502.46	534.36	639.50
Private Fire Rate:			Muncie, Richmond, Wabash Valley Only		Newburgh and Shelbyville Only	
Monthly						
2 inch	$ 5.71	$ 6.83	$ 7.27	$ 8.70	$ 4.35	$ 5.21
2 1/2 inch	8.89	10.64	11.33	13.56	6.78	8.11
3 inch	12.83	15.35	16.34	19.55	9.77	11.69
4 inch	22.81	27.30	29.06	34.78	17.37	20.79
6 inch	51.31	61.41	65.37	78.23	39.10	46.79
8 inch	91.22	109.17	116.21	139.07	69.51	83.19
10 inch	142.53	170.57	181.58	217.31	108.61	129.98
12 inch	205.24	245.62	261.47	312.92	156.39	187.16
[illegible]	-	-				
Hydrant Rental	25.66	30.71			$ 19.56	$ 23.41
Public Fire Service - Monthly			Crawfordsville Only			
Hydrant Rental	$ 34.91	$ 41.78	$ 36.75	$ 43.98		
Surcharge	2.36	2.82	2.49	2.98		

Typical Residential Bill Comparison
Newburgh

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 2.1497	0-20	$ 2.5727
21-5,000	$ 1.5574	21-5,000	$ 1.8638
over 5,000	$ 1.0977	over 5,000	$ 1.3137

5/8" Meter Customer Charge Comparison

Monthly Customer Charge - Current:	$ 10.09	Monthly Customer Charge - Proposed:	$ 12.08

5/8" Bill Comparison

Present Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 10.09	$ 12.08	$ 1.99	19.72%
1	12.24	14.65	2.41	19.69%
2	14.39	17.23	2.84	19.74%
3	16.54	19.80	3.26	19.71%
4	18.69	22.37	3.68	19.69%
5	20.84	24.94	4.10	19.67%
6	22.99	27.52	4.53	19.70%
7	25.14	30.09	4.95	19.69%
8	27.29	32.66	5.37	19.68%
9	29.44	35.23	5.79	19.67%
10	31.59	37.81	6.22	19.69%
12	35.89	42.95	7.06	19.67%
14	40.19	48.10	7.91	19.68%
16	44.49	53.24	8.75	19.67%
18	48.78	58.39	9.61	19.70%
20	53.08	63.53	10.45	19.69%
22	56.19	67.26	11.07	19.70%
24	59.31	70.99	11.68	19.69%
26	62.42	74.71	12.29	19.69%
28	65.54	78.44	12.90	19.68%
30	68.65	82.17	13.52	19.69%
40	84.23	100.81	16.58	19.68%
50	99.80	119.44	19.64	19.68%
100	177.67	212.63	34.96	19.68%

Indiana American Water Company, Inc.
Test year ended June 30, 2006

Petitioner's Exhibit GMV-5
Schedule 6
Page 1 of 3
Cause Number 43187

Class and Schedule Revenue Summary
Noblesville

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 3,892,514	$ 74,593	$ 3,967,107	69.15%	$ 4,681,074	69.18%	$ 713,967	18.00%
2									
3	Commercial	1,013,101	(8,943)	1,004,158	17.50%	1,178,418	17.42%	174,260	17.35%
4									
5	Industrial	43,891	613	44,504	0.78%	52,153	0.77%	7,649	17.19%
6									
7	O.P.A.	223,437	2,272	225,709	3.93%	263,818	3.90%	38,109	16.88%
8									
9	Sales For Resale	0	0	0	0.00%	0	0.00%	0	0.00%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	21,146	(1,926)	19,220	0.34%	22,858	0.34%	3,638	18.93%
14									
15	Private Fire Service	90,997	(1,186)	89,811	1.57%	107,489	1.59%	17,678	19.68%
16									
17	Public Fire Service	358,555	19,947	378,502	6.60%	452,390	6.69%	73,888	19.52%
18									
19	Total Water Revenues	$ 5,643,641	$ 85,370	$ 5,729,011	99.86%	$ 6,758,200	99.88%	$ 1,029,189	17.96%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	6,998	953	7,951	0.14%	7,951	0.12%	0	0.00%
25									
26	Unbilled Revenues	(95,350)	95,350	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 5,555,289	$ 181,673	$ 5,736,962	100.00%	$ 6,766,151	100.00%	$ 1,029,189	17.94%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Water Group One Districts
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-17-A

Revenue Increase Required:	$ 3,557,001
DSIC Revenue at Present Rates:	357,209
Revenue Required for Rate Calculation:	$ 3,914,210
Present Revenue Subject to Increase:	$ 22,033,026
DSIC Revenues at Present Rates:	357,209
Present Revenue Less DSIC Revenues at Present Rates:	$ 21,675,817
Percentage Increase:	19.675420%

Water Group 1 Districts:	Present Rates 6/9/2005	Proposed Rates 12/1/2006	Present Rates 6/9/2005	Proposed Rates 12/1/2006
Customer Charge:				
Monthly				
5/8 inch	$ 11.50	$ 13.76		
3/4 inch	17.25	20.64		
1 inch	28.76	34.42		
1 1/2 inch	57.51	68.83		
2 inch	92.01	110.11		
3 inch	172.54	206.49		
4 inch	287.56	344.14		
6 inch	575.12	688.28		
8 inch	920.19	1,101.24		
10 inch	1,495.31	1,789.52		
12 inch	2,473.02	2,959.60		
Consumption Charge:			Freeman (Seymour) Only	
Monthly CCF				
1st block	$ 2.4511	$ 2.9334	$ 2.4907	$ 2.9808
2nd block	1.7758	2.1252	1.7041	2.0394
3rd block	1.2515	1.4977	1.0924	1.3073
4th block	-	-	1.5871	1.8994
5th block	-	-		
DSIC Surcharge per CCF	0.0550	-		
Sale for Resale - CCF	1.5486	1.8533		
Minimum Bill - Flowing Wells Residential Customer	$ 19.61	$ 23.47		
Minimum Bill - Flowing Wells Commercial Customer	22.88	27.38		
			Kokomo Only	
Public Fire Protection Surcharge Monthly	Noblesville Only		Present Rates	Proposed Rates
5/8 inch	$ 2.36	$ 2.82	$ 2.95	$ 3.53
3/4 inch	3.54	4.24	4.42	5.29
1 inch	5.91	7.07	7.37	8.82
1 1/2 inch	11.81	14.13	14.73	17.63
2 inch	18.89	22.61	23.57	28.21
3 inch	35.43	42.40	44.19	52.88
4 inch	59.03	70.64	73.65	88.14
6 inch	118.06	141.29	147.31	176.29
8 inch	188.89	226.05	235.69	282.06
10 inch	306.95	367.34	383.00	458.36
12 inch	507.64	607.52	633.42	758.05
Private Fire Rate:	Noblesville		Kokomo, Seymour and Summitville	
Monthly				
2 inch	$ 5.71	$ 6.83	$ 7.27	$ 8.70
2 1/2 inch	8.89	10.64	11.33	13.56
3 inch	12.83	15.35	16.34	19.55
4 inch	22.81	27.30	29.06	34.78
6 inch	51.31	61.41	65.37	78.23
8 inch	91.22	109.17	116.21	139.07
10 inch	142.53	170.57	181.58	217.31
12 inch	205.24	245.62	261.47	312.92
16 inch	-	-	-	-
Hydrant Rental	25.66	30.71	32.69	39.12
Public Fire Service - Monthly	Summitville Only		Kokomo & Seymour Only	
Hydrant Rental	$ 34.91	$ 41.78	$ 42.27	$ 50.59
Surcharge	2.36	2.82	2.86	3.42

Typical Residential Bill Comparison
Noblesville

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 2.4511	0-20	$ 2.9334
21-5,000	$ 1.7758	21-5,000	$ 2.1252
over 5,000	$ 1.2515	over 5,000	$ 1.4977

5/8" Meter Customer Charge Comparison

Monthly Customer Charge - Current:	$ 11.50	Monthly Customer Charge - Proposed:	$ 13.76

5/8" Bill Comparison

Present Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 11.50	$ 13.76	$ 2.26	19.65%
1	13.95	16.69	2.74	19.64%
2	16.40	19.63	3.23	19.70%
3	18.85	22.56	3.71	19.68%
4	21.30	25.49	4.19	19.67%
5	23.76	28.43	4.67	19.65%
6	26.21	31.36	5.15	19.65%
7	28.66	34.29	5.63	19.64%
8	31.11	37.23	6.12	19.67%
9	33.56	40.16	6.60	19.67%
10	36.01	43.09	7.08	19.66%
12	40.91	48.96	8.05	19.68%
14	45.82	54.83	9.01	19.66%
16	50.72	60.69	9.97	19.66%
18	55.62	66.56	10.94	19.67%
20	60.52	72.43	11.91	19.68%
22	64.07	76.68	12.61	19.68%
24	67.62	80.93	13.31	19.68%
26	71.17	85.18	14.01	19.69%
28	74.73	89.43	14.70	19.67%
30	78.28	93.68	15.40	19.67%
40	96.04	114.93	18.89	19.67%
50	113.79	136.19	22.40	19.69%
100	202.58	242.45	39.87	19.68%

Indiana American Water Company, Inc.
Test year ended June 30, 2006

Petitioner's Exhibit GMV-5
Schedule 7

Cause Number 43187

Class and Schedule Revenue Summary
Richmond

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 3,642,338	$ (5,010)	$ 3,637,328	49.77%	$ 4,292,329	49.91%	$ 655,001	18.01%
2									
3	Commercial	1,866,913	1,029	1,867,942	25.56%	2,187,069	25.43%	319,127	17.08%
4									
5	Industrial	519,530	9,959	529,489	7.25%	615,190	7.15%	85,701	16.19%
6									
7	O.P.A.	361,970	5,522	367,492	5.03%	429,332	4.99%	61,840	16.83%
8									
9	Sales For Resale	65,921	2,116	68,037	0.93%	78,430	0.91%	10,393	15.28%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	0	0	0	0.00%	0	0.00%	0	0.00%
14									
15	Private Fire Service	251,513	7	251,520	3.44%	301,001	3.50%	49,481	19.67%
16									
17	Public Fire Service	569,842	(6,976)	562,866	7.70%	673,122	7.83%	110,256	19.59%
18									
19	Total Water Revenues	$ 7,278,027	$ 6,647	$ 7,284,674	99.68%	$ 8,576,473	99.73%	$ 1,291,799	17.73%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	21,923	1,145	23,068	0.32%	23,068	0.27%	0	0.00%
25									
26	Unbilled Revenues	(160,153)	160,153	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 7,139,797	$ 167,945	$ 7,307,742	100.00%	$ 8,599,541	100.00%	$ 1,291,799	17.68%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Water Group Two Districts
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-17-A

Re ..e Increase Required:	$ 5,814,145
DSIC Revenue at Present Rates:	1,250,156
Revenue Required for Rate Calculation:	$ 7,064,301
Present Revenue Subject to Increase:	$ 70,121,563
DSIC Revenues at Present Rates:	1,250,156
Present Revenue Less DSIC Revenues at Present Rates:	$ 68,871,407
Percentage Increase:	19.675420%

Water Group 2 District:	Present Rates 1/19/2005	Proposed Rates 12/1/2006				
Customer Charge:						
Monthly						
5/8 inch	$ 10.09	$ 12.08				
3/4 inch	15.13	18.11				
1 inch	25.22	30.18				
1 1/2 inch	50.44	60.36				
2 inch	80.70	96.58				
3 inch	151.33	181.10				
4 inch	252.20	301.82				
6 inch	504.41	603.65				
8 inch	807.06	965.85				
10 inch	1,311.46	1,569.50				
12 inch	2,168.96	2,595.71				
Consumption Charge:						
Monthly CCF						
1st block	$ 2.1497	$ 2.5727	Johnson County and Southern Indiana Only			
2nd block	1.5574	1.8638				
3rd block	1.0977	1.3137	Present Rates	Proposed Rates		
4th block	-	-				
5th block	-	-				
DSI... charge per CCF	0.0550	-				
Sal... esale - CCF	1.3582	1.6254	1.0187	1.2191		
			Preble County Only			
New Whiteland			Present Rates	Proposed Rates		
Monthly Minimum Charge:						
Consumption Charge:	$ 1.0187	$ 1.2191				
Whiteland						
Monthly Minimum Charge:	$ 4,036.15	$ 4,830.28	$ 5,332.81	$ 6,382.06		
Consumption Charge - Over 4,000 ccf:	1.0187	1.2191				
			Crawfordsville Only		Richmond and Wabash Valley Only	
Public Fire Protection Surcharge Monthly			Present Rates	Proposed Rates	Present Rates	Proposed Rates
5/8 inch	$ 2.36	$ 2.82	$ 1.95	$ 2.33	$ 2.49	$ 2.98
3/4 inch	3.54	4.24	2.93	3.51	3.73	4.46
1 inch	5.91	7.07	4.88	5.84	6.21	7.43
1 1/2 inch	11.81	14.13	9.76	11.68	12.43	14.88
2 inch	18.89	22.61	15.62	18.69	19.89	23.80
3 inch	35.43	42.40	29.29	35.05	37.28	44.61
4 inch	59.03	70.64	48.82	58.43	62.13	74.35
6 inch	118.06	141.29	97.64	116.85	124.27	148.72
8 inch	188.89	226.05	156.22	186.96	198.83	237.95
10 inch	306.95	367.34	253.86	303.81	323.11	386.68
12 inch	507.64	607.52	419.85	502.46	534.36	639.50
Private Fire Rate:			Muncie, Richmond, Wabash Valley Only		Newburgh and Shelbyville Only	
Monthly						
2 inch	$ 5.71	$ 6.83	$ 7.27	$ 8.70	$ 4.35	$ 5.21
2 1/2 inch	8.89	10.64	11.33	13.56	6.78	8.11
3 inch	12.83	15.35	16.34	19.55	9.77	11.69
4 inch	22.81	27.30	29.06	34.78	17.37	20.79
6 inch	51.31	61.41	65.37	78.23	39.10	46.79
8 inch	91.22	109.17	116.21	139.07	69.51	83.19
10 inch	142.53	170.57	181.58	217.31	108.61	129.98
12 inch	205.24	245.62	261.47	312.92	156.39	187.16
1...	-	-				
Hy... Rental	25.66	30.71			$ 19.56	$ 23.41
Public ..ire Service - Monthly			Crawfordsville Only			
Hydrant Rental	$ 34.91	$ 41.78	$ 36.75	$ 43.98		
Surcharge	2.36	2.82	2.49	2.98		

Typical Residential Bill Comparison
Richmond

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 2.1497	0-20	$ 2.5727
21-5,000	1.5574	21-5,000	1.8638
over 5,000	1.0977	over 5,000	1.3137

5/8" Meter Customer Charge Comparison

Monthly Customer Charge	$ 10.09	$ 12.08

5/8" Bill Comparison

Proposed Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 10.09	$ 12.08	$ 1.99	19.72%
1	12.24	14.65	2.41	19.69%
2	14.39	17.23	2.84	19.74%
3	16.54	19.80	3.26	19.71%
4	18.69	22.37	3.68	19.69%
5	20.84	24.94	4.10	19.67%
6	22.99	27.52	4.53	19.70%
7	25.14	30.09	4.95	19.69%
8	27.29	32.66	5.37	19.68%
9	29.44	35.23	5.79	19.67%
10	31.59	37.81	6.22	19.69%
12	35.89	42.95	7.06	19.67%
14	40.19	48.10	7.91	19.68%
16	44.49	53.24	8.75	19.67%
18	48.78	58.39	9.61	19.70%
20	53.08	63.53	10.45	19.69%
22	56.19	67.26	11.07	19.70%
24	59.31	70.99	11.68	19.69%
26	62.42	74.71	12.29	19.69%
28	65.54	78.44	12.90	19.68%
30	68.65	82.17	13.52	19.69%
40	84.23	100.81	16.58	19.68%
50	99.80	119.44	19.64	19.68%
100	177.67	212.63	34.96	19.68%

Indiana [illegible]rican Water Company, Inc.
Test year ended June 30, 2006

Petitioner's Ex[illegible]t GMV-5
Schedule 8

Cause Number 43187

Class and Schedule Revenue Summary
Seymour

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 1,886,055	$ 16,233	$ 1,902,288	47.55%	$ 2,248,828	47.70%	$ 346,540	18.22%
2									
3	Commercial	858,168	5,830	863,998	21.60%	1,014,685	21.52%	150,687	17.44%
4									
5	Industrial	593,564	11,702	605,266	15.13%	703,845	14.93%	98,579	16.29%
6									
7	O.P.A.	106,549	1,356	107,905	2.70%	126,561	2.68%	18,656	17.29%
8									
9	Sales For Resale	54,199	1,196	55,395	1.38%	64,305	1.36%	8,910	16.08%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	830	1,474	2,304	0.06%	2,304	0.05%	0	0.00%
14									
15	Private Fire Service	166,301	60	166,361	4.16%	199,090	4.22%	32,729	19.67%
16									
17	Public Fire Service	289,822	15	289,837	7.24%	346,883	7.36%	57,046	19.68%
18									
19	Total Water Revenues	$ 3,955,488	$ 37,866	$ 3,993,354	99.81%	$ 4,706,501	99.84%	$ 713,147	17.86%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	7,669	(98)	7,571	0.19%	7,571	0.16%	0	0.00%
25									
26	Unbilled Revenues	(51,801)	51,801	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 3,911,356	$ 89,569	$ 4,000,925	100.00%	$ 4,714,072	100.00%	$ 713,147	17.82%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Water Group One Districts
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-17-A

Revenue Increase Required:	$ 3,557,001
DSIC Revenue at Present Rates:	357,209
Revenue Required for Rate Calculation:	$ 3,914,210
Present Revenue Subject to Increase:	$ 22,033,026
DSIC Revenues at Present Rates:	357,209
Present Revenue Less DSIC Revenues at Present Rates:	$ 21,675,817
Percentage Increase:	19.675420%

Water Group 1 Districts:	Present Rates 6/9/2005	Proposed Rates 12/1/2006	Present Rates 6/9/2005	Proposed Rates 12/1/2006
Customer Charge:				
Monthly				
5/8 inch	$ 11.50	$ 13.76		
3/4 inch	17.25	20.64		
1 inch	28.76	34.42		
1 1/2 inch	57.51	68.83		
2 inch	92.01	110.11		
3 inch	172.54	206.49		
4 inch	287.56	344.14		
6 inch	575.12	688.28		
8 inch	920.19	1,101.24		
10 inch	1,495.31	1,789.52		
12 inch	2,473.02	2,959.60		
			Freeman (Seymour) Only	
Consumption Charge:				
Monthly CCF				
1st block	$ 2.4511	$ 2.9334	$ 2.4907	$ 2.9808
2nd block	1.7758	2.1252	1.7041	2.0394
3rd block	1.2515	1.4977	1.0924	1.3073
4th block	-	-	1.5871	1.8994
5th block	-	-		
DSIC Surcharge per CCF	0.0550	-		
Sale for Resale - CCF	1.5486	1.8533		
Minimum Bill - Flowing Wells Residential Customer	$ 19.61	$ 23.47		
Minimum Bill - Flowing Wells Commercial Customer	22.88	27.38		
			Kokomo Only	
	Noblesville Only		Present Rates	Proposed Rates
Public Fire Protection Surcharge Monthly				
5/8 inch	$ 2.36	$ 2.82	$ 2.95	$ 3.53
3/4 inch	3.54	4.24	4.42	5.29
1 inch	5.91	7.07	7.37	8.82
1 1/2 inch	11.81	14.13	14.73	17.63
2 inch	18.89	22.61	23.57	28.21
3 inch	35.43	42.40	44.19	52.88
4 inch	59.03	70.64	73.65	88.14
6 inch	118.06	141.29	147.31	176.29
8 inch	188.89	226.05	235.69	282.06
10 inch	306.95	367.34	383.00	458.36
12 inch	507.64	607.52	633.42	758.05
	Noblesville		Kokomo, Seymour and Summitville	
Private Fire Rate:				
Monthly				
2 inch	$ 5.71	$ 6.83	$ 7.27	$ 8.70
2 1/2 inch	8.89	10.64	11.33	13.56
3 inch	12.83	15.35	16.34	19.55
4 inch	22.81	27.30	29.06	34.78
6 inch	51.31	61.41	65.37	78.23
8 inch	91.22	109.17	116.21	139.07
10 inch	142.53	170.57	181.58	217.31
12 inch	205.24	245.62	261.47	312.92
16 inch	-	-	-	-
Hydrant Rental	25.66	30.71	32.69	39.12
	Summitville Only		Kokomo & Seymour Only	
Public Fire Service - Monthly				
Hydrant Rental	$ 34.91	$ 41.78	$ 42.27	$ 50.59
Surcharge	2.36	2.82	2.86	3.42

Indiana-American Water Company, Inc.
Test year ended June 30, 2006

Petitioner's Exhibit GMV-5
Schedule 8

Cause Number 43187

Typical Residential Bill Comparison
Seymour

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 2.4511	0-20	$ 2.9334
21-5,000	1.7758	21-5,000	2.1252
over 5,000	1.2515	over 5,000	1.4977

5/8" Meter Customer Charge Comparison

Monthly Customer Charge	$ 11.50	$ 13.76

5/8" Bill Comparison

Present Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 11.50	$ 13.76	$ 2.26	19.65%
1	13.95	16.69	2.74	19.64%
2	16.40	19.63	3.23	19.70%
3	18.85	22.56	3.71	19.68%
4	21.30	25.49	4.19	19.67%
5	23.76	28.43	4.67	19.65%
6	26.21	31.36	5.15	19.65%
7	28.66	34.29	5.63	19.64%
8	31.11	37.23	6.12	19.67%
9	33.56	40.16	6.60	19.67%
10	36.01	43.09	7.08	19.66%
12	40.91	48.96	8.05	19.68%
14	45.82	54.83	9.01	19.66%
16	50.72	60.69	9.97	19.66%
18	55.62	66.56	10.94	19.67%
20	60.52	72.43	11.91	19.68%
22	64.07	76.68	12.61	19.68%
24	67.62	80.93	13.31	19.68%
26	71.17	85.18	14.01	19.69%
28	74.73	89.43	14.70	19.67%
30	78.28	93.68	15.40	19.67%
40	96.04	114.93	18.89	19.67%
50	113.79	136.19	22.40	19.69%
100	202.58	242.45	39.87	19.68%

Class and Schedule Revenue Summary
Shelbyville

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 1,556,510	$ 34,371	$ 1,590,881	43.51%	$ 1,875,627	43.75%	$ 284,746	17.90%
2									
3	Commercial	840,897	4,411	845,308	23.12%	989,724	23.09%	144,416	17.08%
4									
5	Industrial	815,097	12,991	828,088	22.65%	956,509	22.31%	128,421	15.51%
6									
7	O.P.A.	100,943	1,823	102,766	2.81%	119,695	2.79%	16,929	16.47%
8									
9	Sales For Resale	0	0	0	0.00%	0	0.00%	0	0.00%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	0	746	746	0.02%	746	0.02%	0	0.00%
14									
15	Private Fire Service	74,181	38	74,219	2.03%	88,821	2.07%	14,602	19.67%
16									
17	Public Fire Service	207,977	2,740	210,717	5.76%	252,184	5.88%	41,467	19.68%
18									
19	Total Water Revenues	$ 3,595,605	$ 57,120	$ 3,652,725	99.89%	$ 4,283,306	99.91%	$ 630,581	17.26%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	4,952	(986)	3,966	0.11%	3,966	0.09%	0	0.00%
25									
26	Unbilled Revenues	9,559	(9,559)	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 3,610,116	$ 46,575	$ 3,656,691	100.00%	$ 4,287,272	100.00%	$ 630,581	17.24%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Water Group Two Districts
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-17-A

Re[illegible]e Increase Required:	$ 5,814,145
DSIC Revenue at Present Rates:	1,250,156
Revenue Required for Rate Calculation:	$ 7,064,301
Present Revenue Subject to Increase:	$ 70,121,563
DSIC Revenues at Present Rates:	1,250,156
Present Revenue Less DSIC Revenues at Present Rates:	$ 68,871,407
Percentage Increase:	19.675420%

Water Group 2 District:	Present Rates 1/19/2005	Proposed Rates 12/1/2006				
Customer Charge:						
Monthly						
5/8 inch	$ 10.09	$ 12.08				
3/4 inch	15.13	18.11				
1 inch	25.22	30.18				
1 1/2 inch	50.44	60.36				
2 inch	80.70	96.58				
3 inch	151.33	181.10				
4 inch	252.20	301.82				
6 inch	504.41	603.65				
8 inch	807.06	965.85				
10 inch	1,311.46	1,569.50				
12 inch	2,168.96	2,595.71				
Consumption Charge:						
Monthly CCF						
1st block	$ 2.1497	$ 2.5727	Johnson County and Southern Indiana Only			
2nd block	1.5574	1.8638				
3rd block	1.0977	1.3137	Present Rates	Proposed Rates		
4th block	-	-				
5th block	-	-				
DSI[illegible]rcharge per CCF	0.0550	-				
Sal[illegible]esale - CCF	1.3582	1.6254	1.0187	1.2191		
			Preble County Only			
New Whiteland			Present Rates	Proposed Rates		
Monthly Minimum Charge:						
Consumption Charge:	$ 1.0187	$ 1.2191				
Whiteland						
Monthly Minimum Charge:	$ 4,036.15	$ 4,830.28	$ 5,332.81	$ 6,382.06		
Consumption Charge - Over 4,000 ccf:	1.0187	1.2191				
			Crawfordsville Only		Richmond and Wabash Valley Only	
Public Fire Protection Surcharge Monthly			Present Rates	Proposed Rates	Present Rates	Proposed Rates
5/8 inch	$ 2.36	$ 2.82	$ 1.95	$ 2.33	$ 2.49	$ 2.98
3/4 inch	3.54	4.24	2.93	3.51	3.73	4.46
1 inch	5.91	7.07	4.88	5.84	6.21	7.43
1 1/2 inch	11.81	14.13	9.76	11.68	12.43	14.88
2 inch	18.89	22.61	15.62	18.69	19.89	23.80
3 inch	35.43	42.40	29.29	35.05	37.28	44.61
4 inch	59.03	70.64	48.82	58.43	62.13	74.35
6 inch	118.06	141.29	97.64	116.85	124.27	148.72
8 inch	188.89	226.05	156.22	186.96	198.83	237.95
10 inch	306.95	367.34	253.86	303.81	323.11	386.68
12 inch	507.64	607.52	419.85	502.46	534.36	639.50
Private Fire Rate:			Muncie, Richmond, Wabash Valley Only		Newburgh and Shelbyville Only	
Monthly						
2 inch	$ 5.71	$ 6.83	$ 7.27	$ 8.70	$ 4.35	$ 5.21
2 1/2 inch	8.89	10.64	11.33	13.56	6.78	8.11
3 inch	12.83	15.35	16.34	19.55	9.77	11.69
4 inch	22.81	27.30	29.06	34.78	17.37	20.79
6 inch	51.31	61.41	65.37	78.23	39.10	46.79
8 inch	91.22	109.17	116.21	139.07	69.51	83.19
10 inch	142.53	170.57	181.58	217.31	108.61	129.98
12 inch	205.24	245.62	261.47	312.92	156.39	187.16
1[illegible]	-	-				
H[illegible] Rental	25.66	30.71			$ 19.56	$ 23.41
Public [illegible]ire Service - Monthly			Crawfordsville Only			
Hydrant Rental	$ 34.91	$ 41.78	$ 36.75	$ 43.98		
Surcharge	2.36	2.82	2.49	2.98		

Typical Residential Bill Comparison
Shelbyville

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 2.1497	0-20	$ 2.5727
21-5,000	1.5574	21-5,000	1.8638
over 5,000	1.0977	over 5,000	1.3137

5/8" Meter Customer Charge Comparison

Monthly Customer Charge	$ 10.09	$ 12.08

5/8" Bill Comparison

Present Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 10.09	$ 12.08	$ 1.99	19.72%
1	12.24	14.65	2.41	19.69%
2	14.39	17.23	2.84	19.74%
3	16.54	19.80	3.26	19.71%
4	18.69	22.37	3.68	19.69%
5	20.84	24.94	4.10	19.67%
6	22.99	27.52	4.53	19.70%
7	25.14	30.09	4.95	19.69%
8	27.29	32.66	5.37	19.68%
9	29.44	35.23	5.79	19.67%
10	31.59	37.81	6.22	19.69%
12	35.89	42.95	7.06	19.67%
14	40.19	48.10	7.91	19.68%
16	44.49	53.24	8.75	19.67%
18	48.78	58.39	9.61	19.70%
20	53.08	63.53	10.45	19.69%
22	56.19	67.26	11.07	19.70%
24	59.31	70.99	11.68	19.69%
26	62.42	74.71	12.29	19.69%
28	65.54	78.44	12.90	19.68%
30	68.65	82.17	13.52	19.69%
40	84.23	100.81	16.58	19.68%
50	99.80	119.44	19.64	19.68%
100	177.67	212.63	34.96	19.68%

Class and Schedule Revenue Summary
Somerset

Line No.	Class/ Description		Test Year Revenues		Adjustment		Present Total Revenue	% of Revenue to Total		Proposed Total Revenue	% of Revenue to Total		Dollar Increase	Total Revenue % Increase
	(A)		(B)		(C)		(D)	(E)		(F)	(G)		(H)	(I)
1	Residential	$	26,886	$	218	$	27,104	86.21%	$	32,019	86.23%	$	4,915	18.13%
2														
3	Commercial		3,985		166		4,151	13.20%		4,902	13.20%		751	18.09%
4														
5	Industrial		0		0		0	0.00%		0	0.00%		0	0.00%
6														
7	O.P.A.		144		(5)		139	0.44%		166	0.45%		27	19.42%
8														
9	Sales For Resale		0		0		0	0.00%		0	0.00%		0	0.00%
10														
11	Plant Sales		0		0		0	0.00%		0	0.00%		0	0.00%
12														
13	Miscellaneous		398		(398)		0	0.00%		0	0.00%		0	0.00%
14														
15	Private Fire Service		0		0		0	0.00%		0	0.00%		0	0.00%
16														
17	Public Fire Service		0		0		0	0.00%		0	0.00%		0	0.00%
18														
19	Total Water Revenues	$	31,413	$	(19)	$	31,394	99.86%	$	37,087	99.88%	$	5,693	18.13%
20														
21														
22	Forfeited Discounts		0		0		0	0.00%		0	0.00%		0	0.00%
23														
24	Other Operating Revenues		45		0		45	0.14%		45	0.12%		0	0.00%
25														
26	Unbilled Revenues		(644)		644		0	0.00%		0	0.00%		0	0.00%
27														
28	Pro Forma Total Operating													
29	Revenues per Petitioner's													
30	Bill Analysis	$	30,814	$	625	$	31,439	100.00%	$	37,132	100.00%	$	5,693	18.11%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Water Group One Districts
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-17-A

Revenue Increase Required:	$ 3,557,001
DSIC Revenue at Present Rates:	357,209
Revenue Required for Rate Calculation:	$ 3,914,210
Present Revenue Subject to Increase:	$ 22,033,026
DSIC Revenues at Present Rates:	357,209
Present Revenue Less DSIC Revenues at Present Rates:	$ 21,675,817
Percentage Increase:	19.675420%

Water Group 1 Districts:	Present Rates 6/9/2005	Proposed Rates 12/1/2006	Present Rates 6/9/2005	Proposed Rates 12/1/2006
Customer Charge:				
Monthly				
5/8 inch	$ 11.50	$ 13.76		
3/4 inch	17.25	20.64		
1 inch	28.76	34.42		
1 1/2 inch	57.51	68.83		
2 inch	92.01	110.11		
3 inch	172.54	206.49		
4 inch	287.56	344.14		
6 inch	575.12	688.28		
8 inch	920.19	1,101.24		
10 inch	1,495.31	1,789.52		
12 inch	2,473.02	2,959.60		
Consumption Charge:			Freeman (Seymour) Only	
Monthly CCF				
1st block	$ 2.4511	$ 2.9334	$ 2.4907	$ 2.9808
2nd block	1.7758	2.1252	1.7041	2.0394
3rd block	1.2515	1.4977	1.0924	1.3073
4th block	-	-	1.5871	1.8994
5th block	-	-		
DSIC Surcharge per CCF	0.0550	-		
Sale for Resale - CCF	1.5486	1.8533		
Minimum Bill - Flowing Wells Residential Customer	$ 19.61	$ 23.47		
Minimum Bill - Flowing Wells Commercial Customer	22.88	27.38		
			Kokomo Only	
			Present Rates	Proposed Rates
Public Fire Protection Surcharge Monthly	Noblesville Only			
5/8 inch	$ 2.36	$ 2.82	$ 2.95	$ 3.53
3/4 inch	3.54	4.24	4.42	5.29
1 inch	5.91	7.07	7.37	8.82
1 1/2 inch	11.81	14.13	14.73	17.63
2 inch	18.89	22.61	23.57	28.21
3 inch	35.43	42.40	44.19	52.88
4 inch	59.03	70.64	73.65	88.14
6 inch	118.06	141.29	147.31	176.29
8 inch	188.89	226.05	235.69	282.06
10 inch	306.95	367.34	383.00	458.36
12 inch	507.64	607.52	633.42	758.05
Private Fire Rate:	Noblesville		Kokomo, Seymour and Summitville	
Monthly				
2 inch	$ 5.71	$ 6.83	$ 7.27	$ 8.70
2 1/2 inch	8.89	10.64	11.33	13.56
3 inch	12.83	15.35	16.34	19.55
4 inch	22.81	27.30	29.06	34.78
6 inch	51.31	61.41	65.37	78.23
8 inch	91.22	109.17	116.21	139.07
10 inch	142.53	170.57	181.58	217.31
12 inch	205.24	245.62	261.47	312.92
16 inch	-	-	-	-
Hydrant Rental	25.66	30.71	32.69	39.12
Public Fire Service - Monthly	Summitville Only		Kokomo & Seymour Only	
Hydrant Rental	$ 34.91	$ 41.78	$ 42.27	$ 50.59
Surcharge	2.36	2.82	2.86	3.42

Typical Residential Bill Comparison
Somerset

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 2.4511	0-20	$ 2.9334
21-5,000	1.7758	21-5,000	2.1252
over 5,000	12.5153	over 5,000	1.4977

5/8" Meter Customer Charge Comparison

Monthly Customer Charge	$ 11.50	$ 13.76

5/8" Bill Comparison

Present Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 11.50	$ 13.76	$ 2.26	19.65%
1	13.95	16.69	2.74	19.64%
2	16.40	19.63	3.23	19.70%
3	18.85	22.56	3.71	19.68%
4	21.30	25.49	4.19	19.67%
5	23.76	28.43	4.67	19.65%
6	26.21	31.36	5.15	19.65%
7	28.66	34.29	5.63	19.64%
8	31.11	37.23	6.12	19.67%
9	33.56	40.16	6.60	19.67%
10	36.01	43.09	7.08	19.66%
12	40.91	48.96	8.05	19.68%
14	45.82	54.83	9.01	19.66%
16	50.72	60.69	9.97	19.66%
18	55.62	66.56	10.94	19.67%
20	60.52	72.43	11.91	19.68%
22	64.07	76.68	12.61	19.68%
24	67.62	80.93	13.31	19.68%
26	71.17	85.18	14.01	19.69%
28	74.73	89.43	14.70	19.67%
30	78.28	93.68	15.40	19.67%
40	96.04	114.93	18.89	19.67%
50	113.79	136.19	22.40	19.69%
100	202.58	242.45	39.87	19.68%

Class and Schedule Revenue Summary
Southern Indiana

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 7,765,262	$ (13,848)	$ 7,751,414	47.26%	$ 9,143,551	47.60%	$ 1,392,137	17.96%
2									
3	Commercial	3,724,256	1,567	3,725,823	22.71%	4,353,361	22.66%	627,538	16.84%
4									
5	Industrial	1,137,550	20,029	1,157,579	7.06%	1,338,527	6.97%	180,948	15.63%
6									
7	O.P.A.	704,607	9,826	714,433	4.36%	832,732	4.33%	118,299	16.56%
8									
9	Sales For Resale	1,668,929	55,923	1,724,852	10.52%	1,960,724	10.21%	235,872	13.67%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	21,425	247	21,672	0.13%	25,491	0.13%	3,819	17.62%
14									
15	Private Fire Service	320,044	(1,924)	318,120	1.94%	380,729	1.98%	62,609	19.68%
16									
17	Public Fire Service	957,742	(8,760)	948,982	5.79%	1,134,509	5.91%	185,527	19.55%
18									
19	Total Water Revenues	$ 16,299,815	$ 63,060	$ 16,362,875	99.75%	$ 19,169,624	99.79%	$ 2,806,749	17.15%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	38,366	1,852	40,218	0.25%	40,218	0.21%	0	0.00%
25									
26	Unbilled Revenues	(84,078)	84,078	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 16,254,103	$ 148,990	$ 16,403,093	100.00%	$ 19,209,842	100.00%	$ 2,806,749	17.11%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Water Group Two Districts
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-17-A

Re. ..ue Increase Required:	$ 5,814,145
DSIC Revenue at Present Rates:	1,250,156
Revenue Required for Rate Calculation:	$ 7,064,301
Present Revenue Subject to Increase:	$ 70,121,563
DSIC Revenues at Present Rates:	1,250,156
Present Revenue Less DSIC Revenues at Present Rates:	$ 68,871,407
Percentage Increase:	19.675420%

Water Group 2 District:	Present Rates 1/19/2005	Proposed Rates 12/1/2006				
Customer Charge:						
Monthly						
5/8 inch	$ 10.09	$ 12.08				
3/4 inch	15.13	18.11				
1 inch	25.22	30.18				
1 1/2 inch	50.44	60.36				
2 inch	80.70	96.58				
3 inch	151.33	181.10				
4 inch	252.20	301.82				
6 inch	504.41	603.65				
8 inch	807.06	965.85				
10 inch	1,311.46	1,569.50				
12 inch	2,168.96	2,595.71				
Consumption Charge:						
Monthly CCF						
1st block	$ 2.1497	$ 2.5727	Johnson County and Southern Indiana Only			
2nd block	1.5574	1.8638				
3rd block	1.0977	1.3137	Present Rates	Proposed Rates		
4th block	-	-				
5th block	-	-				
DS rcharge per CCF	0.0550	-				
Sa Resale - CCF	1.3582	1.6254	1.0187	1.2191		
			Preble County Only			
New Whiteland			Present Rates	Proposed Rates		
Monthly Minimum Charge:						
Consumption Charge:	$ 1.0187	$ 1.2191				
Whiteland						
Monthly Minimum Charge:	$ 4,036.15	$ 4,830.28	$ 5,332.81	$ 6,382.06		
Consumption Charge - Over 4,000 ccf:	1.0187	1.2191				
			Crawfordsville Only		Richmond and Wabash Valley Only	
Public Fire Protection Surcharge Monthly			Present Rates	Proposed Rates	Present Rates	Proposed Rates
5/8 inch	$ 2.36	$ 2.82	$ 1.95	$ 2.33	$ 2.49	$ 2.98
3/4 inch	3.54	4.24	2.93	3.51	3.73	4.46
1 inch	5.91	7.07	4.88	5.84	6.21	7.43
1 1/2 inch	11.81	14.13	9.76	11.68	12.43	14.88
2 inch	18.89	22.61	15.62	18.69	19.89	23.80
3 inch	35.43	42.40	29.29	35.05	37.28	44.61
4 inch	59.03	70.64	48.82	58.43	62.13	74.35
6 inch	118.06	141.29	97.64	116.85	124.27	148.72
8 inch	188.89	226.05	156.22	186.96	198.83	237.95
10 inch	306.95	367.34	253.86	303.81	323.11	386.68
12 inch	507.64	607.52	419.85	502.46	534.36	639.50
Private Fire Rate:			Muncie, Richmond, Wabash Valley Only		Newburgh and Shelbyville Only	
Monthly						
2 inch	$ 5.71	$ 6.83	$ 7.27	$ 8.70	$ 4.35	$ 5.21
2 1/2 inch	8.89	10.64	11.33	13.56	6.78	8.11
3 inch	12.83	15.35	16.34	19.55	9.77	11.69
4 inch	22.81	27.30	29.06	34.78	17.37	20.79
6 inch	51.31	61.41	65.37	78.23	39.10	46.79
8 inch	91.22	109.17	116.21	139.07	69.51	83.19
10 inch	142.53	170.57	181.58	217.31	108.61	129.98
12 inch	205.24	245.62	261.47	312.92	156.39	187.16
h	-	-				
h. it Rental	25.66	30.71			$ 19.56	$ 23.41
Public Fire Service - Monthly			Crawfordsville Only			
Hydrant Rental	$ 34.91	$ 41.78	$ 36.75	$ 43.98		
Surcharge	2.36	2.82	2.49	2.98		

Typical Residential Bill Comparison
Southern Indiana

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 2.1497	0-20	$ 2.5727
21-5,000	$ 1.5574	21-5,000	$ 1.8638
over 5,000	$ 1.0977	over 5,000	$ 1.3137

5/8" Meter Customer Charge Comparison

Monthly Customer Charge - Present: $ 10.09   Monthly Customer Charge - Proposed: $ 12.08

5/8" Bill Comparison

Present Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 10.09	$ 12.08	$ 1.99	19.72%
1	12.24	14.65	2.41	19.69%
2	14.39	17.23	2.84	19.74%
3	16.54	19.80	3.26	19.71%
4	18.69	22.37	3.68	19.69%
5	20.84	24.94	4.10	19.67%
6	22.99	27.52	4.53	19.70%
7	25.14	30.09	4.95	19.69%
8	27.29	32.66	5.37	19.68%
9	29.44	35.23	5.79	19.67%
10	31.59	37.81	6.22	19.69%
12	35.89	42.95	7.06	19.67%
14	40.19	48.10	7.91	19.68%
16	44.49	53.24	8.75	19.67%
18	48.78	58.39	9.61	19.70%
20	53.08	63.53	10.45	19.69%
22	56.19	67.26	11.07	19.70%
24	59.31	70.99	11.68	19.69%
26	62.42	74.71	12.29	19.69%
28	65.54	78.44	12.90	19.68%
30	68.65	82.17	13.52	19.69%
40	84.23	100.81	16.58	19.68%
50	99.80	119.44	19.64	19.68%
100	177.67	212.63	34.96	19.68%

Indiana-American Water Company, Inc.
Test year ended June 30, 2006

Petitioner's Exhibit GMV-5
Schedule 12

Cause Number 43187

Class and Schedule Revenue Summary
Summitville

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 115,089	$ 1,777	$ 116,866	78.56%	$ 138,064	78.60%	$ 21,198	18.14%
2									
3	Commercial	15,918	40	15,958	10.73%	18,775	10.69%	2,817	17.65%
4									
5	Industrial	727	12	739	0.50%	866	0.49%	127	17.19%
6									
7	O.P.A.	3,558	56	3,614	2.43%	4,226	2.41%	612	16.93%
8									
9	Sales For Resale	0	0	0	0.00%	0	0.00%	0	0.00%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	0	0	0	0.00%	0	0.00%	0	0.00%
14									
15	Private Fire Service	780	5	785	0.53%	939	0.53%	154	19.62%
16									
17	Public Fire Service	10,056	(2)	10,054	6.76%	12,033	6.85%	1,979	19.68%
18									
19	Total Water Revenues	$ 146,128	$ 1,888	$ 148,016	99.49%	$ 174,903	99.57%	$ 26,887	18.16%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	753	0	753	0.51%	753	0.43%	0	0.00%
25									
26	Unbilled Revenues	(323)	323	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 146,558	$ 2,211	$ 148,769	100.00%	$ 175,656	100.00%	$ 26,887	18.07%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Water Group One Districts
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-17-A

Revenue Increase Required:	$ 3,557,001
DSIC Revenue at Present Rates:	357,209
Revenue Required for Rate Calculation:	$ 3,914,210
Present Revenue Subject to Increase:	$ 22,033,026
DSIC Revenues at Present Rates:	357,209
Present Revenue Less DSIC Revenues at Present Rates:	$ 21,675,817
Percentage Increase:	19.675420%

Water Group 1 Districts:	Present Rates 6/9/2005	Proposed Rates 12/1/2006	Present Rates 6/9/2005	Proposed Rates 12/1/2006
Customer Charge:				
Monthly				
5/8 inch	$ 11.50	$ 13.76		
3/4 inch	17.25	20.64		
1 inch	28.76	34.42		
1 1/2 inch	57.51	68.83		
2 inch	92.01	110.11		
3 inch	172.54	206.49		
4 inch	287.56	344.14		
6 inch	575.12	688.28		
8 inch	920.19	1,101.24		
10 inch	1,495.31	1,789.52		
12 inch	2,473.02	2,959.60		
Consumption Charge:			Freeman (Seymour) Only	
Monthly CCF				
1st block	$ 2.4511	$ 2.9334	$ 2.4907	$ 2.9808
2nd block	1.7758	2.1252	1.7041	2.0394
3rd block	1.2515	1.4977	1.0924	1.3073
4th block	-	-	1.5871	1.8994
5th block	-	-		
DSIC Surcharge per CCF	0.0550	-		
Sale for Resale - CCF	1.5486	1.8533		
Minimum Bill - Flowing Wells Residential Customer	$ 19.61	$ 23.47		
Minimum Bill - Flowing Wells Commercial Customer	22.88	27.38		
			Kokomo Only	
			Present Rates	Proposed Rates
Public Fire Protection Surcharge Monthly	Noblesville Only			
5/8 inch	$ 2.36	$ 2.82	$ 2.95	$ 3.53
3/4 inch	3.54	4.24	4.42	5.29
1 inch	5.91	7.07	7.37	8.82
1 1/2 inch	11.81	14.13	14.73	17.63
2 inch	18.89	22.61	23.57	28.21
3 inch	35.43	42.40	44.19	52.88
4 inch	59.03	70.64	73.65	88.14
6 inch	118.06	141.29	147.31	176.29
8 inch	188.89	226.05	235.69	282.06
10 inch	306.95	367.34	383.00	458.36
12 inch	507.64	607.52	633.42	758.05
Private Fire Rate:	Noblesville		Kokomo, Seymour and Summitville	
Monthly				
2 inch	$ 5.71	$ 6.83	$ 7.27	$ 8.70
2 1/2 inch	8.89	10.64	11.33	13.56
3 inch	12.83	15.35	16.34	19.55
4 inch	22.81	27.30	29.06	34.78
6 inch	51.31	61.41	65.37	78.23
8 inch	91.22	109.17	116.21	139.07
10 inch	142.53	170.57	181.58	217.31
12 inch	205.24	245.62	261.47	312.92
16 inch	-	-	-	-
Hydrant Rental	25.66	30.71	32.69	39.12
Public Fire Service - Monthly	Summitville Only		Kokomo & Seymour Only	
Hydrant Rental	$ 34.91	$ 41.78	$ 42.27	$ 50.59
Surcharge	2.36	2.82	2.86	3.42

Indiana-American Water Company, Inc.
Test year ended June 30, 2006

Petitioner's Exhibit GMV-5
Schedule 12
Page 3 of 3
Cause Number 43187

Typical Residential Bill Comparison
Summitville

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 2.4511	0-20	$ 2.9334
21-5,000	$ 1.7758	21-5,000	$ 2.1252
over 5,000	$ 1.2515	over 5,000	$ 1.4977

5/8" Meter Customer Charge Comparison

Monthly Customer Charge - Present: $ 11.50 Monthly Customer Charge - Proposed: $ 13.76

5/8" Bill Comparison

Present Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 11.50	$ 13.76	$ 2.26	19.65%
1	13.95	16.69	2.74	19.64%
2	16.40	19.63	3.23	19.70%
3	18.85	22.56	3.71	19.68%
4	21.30	25.49	4.19	19.67%
5	23.76	28.43	4.67	19.65%
6	26.21	31.36	5.15	19.65%
7	28.66	34.29	5.63	19.64%
8	31.11	37.23	6.12	19.67%
9	33.56	40.16	6.60	19.67%
10	36.01	43.09	7.08	19.66%
12	40.91	48.96	8.05	19.68%
14	45.82	54.83	9.01	19.66%
16	50.72	60.69	9.97	19.66%
18	55.62	66.56	10.94	19.67%
20	60.52	72.43	11.91	19.68%
22	64.07	76.68	12.61	19.68%
24	67.62	80.93	13.31	19.68%
26	71.17	85.18	14.01	19.69%
28	74.73	89.43	14.70	19.67%
30	78.28	93.68	15.40	19.67%
40	96.04	114.93	18.89	19.67%
50	113.79	136.19	22.40	19.69%
100	202.58	242.45	39.87	19.68%

Class and Schedule Revenue Summary
Wabash Valley

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 6,967,408	$ 31,424	$ 6,998,832	54.58%	$ 8,259,396	54.72%	$ 1,260,564	18.01%
2									
3	Commercial	2,583,998	28,772	2,612,770	20.38%	3,060,721	20.28%	447,951	17.14%
4									
5	Industrial	647,280	11,905	659,185	5.14%	766,880	5.08%	107,695	16.34%
6									
7	O.P.A.	1,013,786	15,697	1,029,483	8.03%	1,199,176	7.94%	169,693	16.48%
8									
9	Sales For Resale	172,146	(396)	171,750	1.34%	198,262	1.31%	26,512	15.44%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	729	(729)	0	0.00%	0	0.00%	0	0.00%
14									
15	Private Fire Service	340,717	(25,067)	315,650	2.46%	377,747	2.50%	62,097	19.67%
16									
17	Public Fire Service	992,937	6,200	999,137	7.79%	1,195,692	7.92%	196,555	19.67%
18									
19	Total Water Revenues	$ 12,719,001	$ 67,806	$ 12,786,807	99.72%	$ 15,057,874	99.76%	$ 2,271,067	17.76%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	33,503	2,399	35,902	0.28%	35,902	0.24%	0	0.00%
25									
26	Unbilled Revenues	(177,161)	177,161	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 12,575,343	$ 247,366	$ 12,822,709	100.00%	$ 15,093,776	100.00%	$ 2,271,067	17.71%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Water Group Two Districts
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-17-A

Revenue Increase Required:	$ 5,814,145
DSIC Revenue at Present Rates:	1,250,156
Revenue Required for Rate Calculation:	$ 7,064,301
Present Revenue Subject to Increase:	$ 70,121,563
DSIC Revenues at Present Rates:	1,250,156
Present Revenue Less DSIC Revenues at Present Rates:	$ 68,871,407
Percentage Increase:	19.675420%

Water Group 2 District:	Present Rates 1/19/2005	Proposed Rates 12/1/2006				
Customer Charge:						
Monthly						
5/8 inch	$ 10.09	$ 12.08				
3/4 inch	15.13	18.11				
1 inch	25.22	30.18				
1 1/2 inch	50.44	60.36				
2 inch	80.70	96.58				
3 inch	151.33	181.10				
4 inch	252.20	301.82				
6 inch	504.41	603.65				
8 inch	807.06	965.85				
10 inch	1,311.46	1,569.50				
12 inch	2,168.96	2,595.71				
Consumption Charge:						
Monthly CCF						
1st block	$ 2.1497	$ 2.5727	Johnson County and Southern Indiana Only			
2nd block	1.5574	1.8638				
3rd block	1.0977	1.3137	Present Rates	Proposed Rates		
4th block	-	-				
5th block	-	-				
DSIC Surcharge per CCF	0.0550	-				
Sale for Resale - CCF	1.3582	1.6254	1.0187	1.2191		
			Preble County Only			
New Whiteland			Present Rates	Proposed Rates		
Monthly Minimum Charge:						
Consumption Charge:	$ 1.0187	$ 1.2191				
Whiteland						
Monthly Minimum Charge:	$ 4,036.15	$ 4,830.28	$ 5,332.81	$ 6,382.06		
Consumption Charge - Over 4,000 ccf:	1.0187	1.2191				
			Crawfordsville Only		Richmond and Wabash Valley Only	
Public Fire Protection Surcharge Monthly			Present Rates	Proposed Rates	Present Rates	Proposed Rates
5/8 inch	$ 2.36	$ 2.82	$ 1.95	$ 2.33	$ 2.49	$ 2.98
3/4 inch	3.54	4.24	2.93	3.51	3.73	4.46
1 inch	5.91	7.07	4.88	5.84	6.21	7.43
1 1/2 inch	11.81	14.13	9.76	11.68	12.43	14.88
2 inch	18.89	22.61	15.62	18.69	19.89	23.80
3 inch	35.43	42.40	29.29	35.05	37.28	44.61
4 inch	59.03	70.64	48.82	58.43	62.13	74.35
6 inch	118.06	141.29	97.64	116.85	124.27	148.72
8 inch	188.89	226.05	156.22	186.96	198.83	237.95
10 inch	306.95	367.34	253.86	303.81	323.11	386.68
12 inch	507.64	607.52	419.85	502.46	534.36	639.50
Private Fire Rate:			Muncie, Richmond, Wabash Valley Only		Newburgh and Shelbyville Only	
Monthly						
2 inch	$ 5.71	$ 6.83	$ 7.27	$ 8.70	$ 4.35	$ 5.21
2 1/2 inch	8.89	10.64	11.33	13.56	6.78	8.11
3 inch	12.83	15.35	16.34	19.55	9.77	11.69
4 inch	22.81	27.30	29.06	34.78	17.37	20.79
6 inch	51.31	61.41	65.37	78.23	39.10	46.79
8 inch	91.22	109.17	116.21	139.07	69.51	83.19
10 inch	142.53	170.57	181.58	217.31	108.61	129.98
12 inch	205.24	245.62	261.47	312.92	156.39	187.16
1	-	-				
Hydrant Rental	25.66	30.71			$ 19.56	$ 23.41
Public Fire Service - Monthly			Crawfordsville Only			
Hydrant Rental	$ 34.91	$ 41.78	$ 36.75	$ 43.98		
Surcharge	2.36	2.82	2.49	2.98		

Indiana-American Water Company, Inc.
Test year ended June 30, 2006

Petitioner's Exhibit GMV-5
Schedule 13

Cause Number 43187

Typical Residential Bill Comparison
Wabash Valley

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 2.1497	0-20	$ 2.5727
21-5,000	$ 1.5574	21-5,000	$ 1.8638
over 5,000	$ 1.0977	over 5,000	$ 1.3137

5/8" Meter Customer Charge Comparison

Monthly Customer Charge - Present:	$ 10.09	Monthly Customer Charge - Proposed:	$ 12.08

5/8" Bill Comparison

Present Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 10.09	$ 12.08	$ 1.99	19.72%
1	12.24	14.65	2.41	19.69%
2	14.39	17.23	2.84	19.74%
3	16.54	19.80	3.26	19.71%
4	18.69	22.37	3.68	19.69%
5	20.84	24.94	4.10	19.67%
6	22.99	27.52	4.53	19.70%
7	25.14	30.09	4.95	19.69%
8	27.29	32.66	5.37	19.68%
9	29.44	35.23	5.79	19.67%
10	31.59	37.81	6.22	19.69%
12	35.89	42.95	7.06	19.67%
14	40.19	48.10	7.91	19.68%
16	44.49	53.24	8.75	19.67%
18	48.78	58.39	9.61	19.70%
20	53.08	63.53	10.45	19.69%
22	56.19	67.26	11.07	19.70%
24	59.31	70.99	11.68	19.69%
26	62.42	74.71	12.29	19.69%
28	65.54	78.44	12.90	19.68%
30	68.65	82.17	13.52	19.69%
40	84.23	100.81	16.58	19.68%
50	99.80	119.44	19.64	19.68%
100	177.67	212.63	34.96	19.68%

Class and Schedule Revenue Summary
Mooresville

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 1,000,639	$ 26,574	$ 1,027,213	67.17%	$ 1,210,860	67.43%	$ 183,647	17.88%
2									
3	Commercial	315,628	6,348	321,976	21.06%	377,475	21.02%	55,499	17.24%
4									
5	Industrial	54,720	3,734	58,454	3.82%	65,485	3.65%	7,031	12.03%
6									
7	O.P.A.	75,560	2,440	78,000	5.10%	90,418	5.04%	12,418	15.92%
8									
9	Sales For Resale	0	0	0	0.00%	0	0.00%	0	0.00%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	63	706	769	0.05%	769	0.04%	0	0.00%
14									
15	Private Fire Service	40,184	(41)	40,143	2.63%	48,039	2.68%	7,896	19.67%
16									
17	Public Fire Service	0	0	0	0.00%	0	0.00%	0	0.00%
18									
19	Total Water Revenues	$ 1,486,794	$ 39,761	$ 1,526,555	99.83%	$ 1,793,046	99.85%	$ 266,491	17.46%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	2,648	1	2,649	0.17%	2,649	0.15%	0	0.00%
25									
26	Unbilled Revenues	(3,686)	3,686	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 1,485,756	$ 43,448	$ 1,529,204	100.00%	$ 1,795,695	100.00%	$ 266,491	17.43%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Mooresville District
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-17-U

Revenue Increase Required:	$ 284,286
DSIC Revenue at Present Rates:	28,171
Revenue Required for Rate Calculation:	$ 312,457
Present Revenue Subject to Increase:	$ 1,526,555
DSIC Revenues at Present Rates:	28,171
Present Revenue Less DSIC Revenues at Present Rates:	$ 1,498,384
Percentage Increase:	19.675420%

Mooresville District:	Present Rates 10/4/2006	Proposed Rates 12/1/2006
Customer Charge:		
Monthly		
5/8 inch	$ 12.45	$ 14.90
3/4 inch	18.67	22.34
1 inch	31.13	37.25
1 1/2 inch	62.25	74.50
2 inch	99.59	119.18
3 inch	186.76	223.51
4 inch	311.23	372.47
6 inch	622.47	744.94
8 inch	995.95	1,191.91
10 inch	1,618.41	1,936.84
12 inch	2,676.60	3,203.23
Consumption Charge:		
Monthly CCF		
1st block	$ 2.0413	$ 2.4429
2nd block	2.0413	2.4429
3rd block	2.0507	2.4542
4th block	0.7120	0.8521
5th block	0.7120	0.8521
DSIC Surcharge per CCF	0.0604	-
Sale for Resale - CCF		
Public Fire Protection Surcharge Monthly		
5/8 inch	$ -	$ -
3/4 inch	-	-
1 inch	-	-
1 1/2 inch	-	-
2 inch	-	-
3 inch	-	-
4 inch	-	-
6 inch	-	-
8 inch	-	-
10 inch	-	-
12 inch	-	-
Private Fire Rate:		
Monthly		
2 inch	$ 7.27	$ 8.70
2 1/2 inch	11.33	13.56
3 inch	16.34	19.55
4 inch	29.06	34.78
6 inch	65.37	78.23
8 inch	116.21	139.07
10 inch	181.58	217.31
12 inch	261.47	312.92
16 inch	-	-
Hydrant Rental	32.69	39.12
Public Fire Service - Monthly		
Hydrant Rental	$ -	$ -
Surcharge	-	-

Typical Residential Bill Comparison
Mooresville

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 2.0413	0-20	$ 2.4429
21-5,000	$ 2.0413	21-5,000	$ 2.4429
over 5,000	$ 2.0507	over 5,000	$ 2.4542

5/8" Meter Customer Charge Comparison

Monthly Customer Charge	$ 12.45	$ 14.90

5/8" Bill Comparison

Present Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 12.45	$ 14.90	$ 2.45	19.68%
1	14.49	17.34	2.85	19.67%
2	16.53	19.79	3.26	19.72%
3	18.57	22.23	3.66	19.71%
4	20.62	24.67	4.05	19.64%
5	22.66	27.11	4.45	19.64%
6	24.70	29.56	4.86	19.68%
7	26.74	32.00	5.26	19.67%
8	28.78	34.44	5.66	19.67%
9	30.82	36.89	6.07	19.70%
10	32.86	39.33	6.47	19.69%
12	36.95	44.21	7.26	19.65%
14	41.03	49.10	8.07	19.67%
16	45.11	53.99	8.88	19.69%
18	49.19	58.87	9.68	19.68%
20	53.28	63.76	10.48	19.67%
22	57.36	68.65	11.29	19.68%
24	61.45	73.53	12.08	19.66%
26	65.53	78.42	12.89	19.67%
28	69.61	83.30	13.69	19.67%
30	73.69	88.19	14.50	19.68%
40	94.11	112.62	18.51	19.67%
50	114.52	137.05	22.53	19.67%
100	216.58	259.19	42.61	19.67%

Class and Schedule Revenue Summary
Northwest

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 19,341,222	$ 49,130	$ 19,390,352	49.73%	$ 22,837,399	50.07%	$ 3,447,047	17.78%
2									
3	Commercial	7,431,180	54,472	7,485,652	19.20%	8,733,239	19.15%	1,247,587	16.67%
4									
5	Industrial	2,451,902	74,464	2,526,366	6.48%	2,883,933	6.32%	357,567	14.15%
6									
7	O.P.A.	1,388,035	29,748	1,417,783	3.64%	1,643,263	3.60%	225,480	15.90%
8									
9	Sales For Resale	4,257,944	130,791	4,388,735	11.26%	5,007,666	10.98%	618,931	14.10%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	2,195	(2,195)	0	0.00%	0	0.00%	0	0.00%
14									
15	Private Fire Service	1,229,467	2,798	1,232,265	3.16%	1,474,724	3.23%	242,459	19.68%
16									
17	Public Fire Service	2,428,523	(6,770)	2,421,753	6.21%	2,898,107	6.35%	476,354	19.67%
18									
19	Total Water Revenues	$ 38,530,468	$ 332,438	$ 38,862,906	99.67%	$ 45,478,331	99.72%	$ 6,615,425	17.02%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	129,083	(185)	128,898	0.33%	128,898	0.28%	0	0.00%
25									
26	Unbilled Revenues	(425,360)	425,360	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 38,234,191	$ 757,613	$ 38,991,804	100.00%	$ 45,607,229	100.00%	$ 6,615,425	16.97%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Northwest Indiana Operations District
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-17-N

Revenue Increase Required:	$ 13,194,046
DSIC Revenue at Present Rates:	861,407
Revenue Required for Rate Calculation:	$ 14,055,453
Present Revenue Subject to Increase:	$ 38,862,906
DSIC Revenues at Present Rates:	861,407
Present Revenue Less DSIC Revenues at Present Rates:	$ 38,001,499
Percentage Increase:	19.675420%

Northwest Operations District:	Present Monthly Rates 6/9/2005	Present Bi-Monthly Rates 6/9/2005	Proposed Monthly Rates 12/1/2006	Proposed Bi-Monthly Rates 12/1/2006
Customer Charge:				
Monthly				
5/8 inch	$ 13.80	$ 27.60	$ 16.52	$ 33.03
3/4 inch	19.62	39.24	23.48	46.96
1 inch	31.25	62.50	37.40	74.80
1 1/2 inch	60.34	120.68	72.21	144.42
2 inch	91.19	182.38	109.13	218.26
3 inch	151.32	302.64	181.09	362.19
4 inch	237.23	474.46	283.91	567.81
6 inch	452.00	904.00	540.93	1,081.87
8 inch	625.92	1,251.84	749.07	1,498.14
10 inch	915.78	1,831.56	1,095.96	2,191.93
12 inch	1,344.02	2,688.04	1,608.46	3,216.92
Consumption Charge:				
Monthly CCF				
1st block	$ 3.4492		$ 4.1278	
2nd block	2.9088		3.4811	
3rd block	2.1477		2.5703	
4th block	1.4493		1.7345	
5th block	1.1156		1.3351	
6th block	1.0112		1.2102	
DSIC Surcharge per CCF	0.0550		-	
Sale for Resale - CCF (Monthly)				
1st block	$ 1.1545		1.3817	
2nd block	1.0297		1.2323	
Public Fire Protection Surcharge - Portage				
5/8 inch	$ 2.11	$ 4.22	$ 2.53	$ 5.05
3/4 inch	3.17	6.34	3.79	7.59
1 inch	5.28	10.56	6.32	12.64
1 1/2 inch	10.56	21.12	12.64	25.28
2 inch	16.90	33.80	20.23	40.45
3 inch	31.68	63.36	37.91	75.83
4 inch	52.80	105.60	63.19	126.38
6 inch	105.60	211.20	126.38	252.75
8 inch	168.95	337.90	202.19	404.38
10 inch	274.55	549.10	328.57	657.14
12 inch	454.06	908.12	543.40	1,086.80
Public Fire Protection Surcharge - Hobart				
5/8 inch	$ 2.15	$ 4.30	$ 2.57	$ 5.15
3/4 inch	3.22	6.44	3.85	7.71
1 inch	5.37	10.74	6.43	12.85
1 1/2 inch	10.73	21.46	12.84	25.68
2 inch	17.17	34.34	20.55	41.10
3 inch	32.20	64.40	38.54	77.07
4 inch	53.67	107.34	64.23	128.46
6 inch	107.34	214.68	128.46	256.92
8 inch	171.75	343.50	205.54	411.09
10 inch	279.09	558.18	334.00	668.00
12 inch	461.58	923.16	552.40	1,104.80
Public Fire Protection Surcharge - Hobart				
5/8 inch	$ 2.86	$ 5.72	$ 3.42	$ 6.85
3/4 inch	4.29	8.58	5.13	10.27
1 inch	7.15	14.30	8.56	17.11
1 1/2 inch	14.30	28.60	17.11	34.23
2 inch	22.87	45.74	27.37	54.74
3 inch	42.88	85.76	51.32	102.63
4 inch	71.45	142.90	85.51	171.02
6 inch	142.92	285.84	171.04	342.08
8 inch	228.66	457.32	273.65	547.30
10 inch	371.58	743.16	444.69	889.38
12 inch	614.52	1,229.04	735.43	1,470.86
Private Fire Rate:				
Monthly				
2 inch	$ 13.69		$ 16.38	
2 1/2 inch	21.34		25.54	
3 inch	30.78		36.84	
4 inch	54.72		65.49	
6 inch	123.14		147.37	
8 inch	218.89		261.96	
10 inch	342.03		409.33	
12 inch	492.51		589.41	
16 inch	-		-	
Hydrant Rental	$ 61.56		$ 73.67	
Public Fire Service - Monthly		Portage Only		Portage Only
Hydrant Rental	$ 42.27	$ 30.80	$ 50.59	$ 36.86
Surcharge	-			-

Typical Residential Bill Comparison
Northwest

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 3.4492	0-20	$ 4.1278
21-5,000	2.9088	21-5,000	3.4811
over 5,000	2.1477	over 5,000	2.5703

5/8" Meter Customer Charge Comparison

Monthly Customer Charge - Current: $ 13.80   Monthly Customer Charge - Proposed: $ 16.52

5/8" Bill Comparison

	Present Rates		Proposed Rates		
Level of Usage-Monthly	Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
	0	$ 13.80	$ 16.52	$ 2.72	19.71%
	1	17.25	20.65	3.40	19.71%
	2	20.70	24.78	4.08	19.71%
	3	24.15	28.90	4.75	19.67%
	4	27.60	33.03	5.43	19.67%
	5	31.05	37.16	6.11	19.68%
	6	34.50	41.29	6.79	19.68%
	7	37.94	45.41	7.47	19.69%
	8	41.39	49.54	8.15	19.69%
	9	44.84	53.67	8.83	19.69%
	10	48.29	57.80	9.51	19.69%
	12	55.19	66.05	10.86	19.68%
	14	62.09	74.31	12.22	19.68%
	16	68.99	82.56	13.57	19.67%
	18	75.89	90.82	14.93	19.67%
	20	82.78	99.08	16.30	19.69%
	22	88.60	106.04	17.44	19.68%
	24	94.42	113.00	18.58	19.68%
	26	100.23	119.97	19.74	19.69%
	28	106.05	126.93	20.88	19.69%
	30	111.87	133.89	22.02	19.68%
	40	140.96	168.70	27.74	19.68%
	50	170.04	203.51	33.47	19.68%
	100	315.48	377.57	62.09	19.68%

Class and Schedule Revenue Summary
Wabash

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 1,009,486	$ 70,031	$ 1,079,517	55.68%	$ 1,272,461	56.16%	$ 192,944	17.87%
2									
3	Commercial	285,983	3,206	289,189	14.92%	336,664	14.86%	47,475	16.42%
4									
5	Industrial	282,008	16,574	298,582	15.40%	335,359	14.80%	36,777	12.32%
6									
7	O.P.A.	61,327	474	61,801	3.19%	71,305	3.15%	9,504	15.38%
8									
9	Sales For Resale	0	0	0	0.00%	0	0.00%	0	0.00%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	(15)	15	0	0.00%	0	0.00%	0	0.00%
14									
15	Private Fire Service	30,147	(212)	29,935	1.54%	35,825	1.58%	5,890	19.68%
16									
17	Public Fire Service	164,760	9,764	174,524	9.00%	208,864	9.22%	34,340	19.68%
18									
19	Total Water Revenues	$ 1,833,696	$ 99,852	$ 1,933,548	99.73%	$ 2,260,478	99.77%	$ 326,930	16.91%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	5,103	71	5,174	0.27%	5,174	0.23%	0	0.00%
25									
26	Unbilled Revenues	(12,222)	12,222	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 1,826,577	$ 112,145	$ 1,938,722	100.00%	$ 2,265,652	100.00%	$ 326,930	16.86%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Wabash District
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-16-A

Revenue Increase Required:	$	343,990
DSIC Revenue at Present Rates:		44,736
Revenue Required for Rate Calculation:	$	388,726
Present Revenue Subject to Increase:	$	1,933,548
DSIC Revenues at Present Rates:		44,736
Present Revenue Less DSIC Revenues at Present Rates:	$	1,888,812
Percentage Increase:		19.675420%

Wabash District:		Present Rates 6/9/2005		Proposed Rates 12/1/2006
Customer Charge:				
Monthly				
5/8 inch	$	13.67	$	16.36
3/4 inch		13.67		16.36
1 inch		27.39		32.78
1 1/2 inch		47.76		57.16
2 inch		65.76		78.70
3 inch		101.82		121.85
4 inch		170.71		204.30
6 inch		292.09		349.56
8 inch		516.59		618.23
10 inch		753.22		901.42
12 inch		1,245.70		1,490.80
Consumption Charge:				
Monthly CCF				
1st block	$	1.2217	$	1.4621
2nd block		1.0337		1.2371
3rd block		0.5967		0.7141
4th block		0.5967		0.7141
5th block		-		-
DSIC Surcharge per CCF		0.0561		-
Sale for Resale - CCF				
Public Fire Protection Surcharge Monthly				
5/8 inch	$	2.49	$	2.98
3/4 inch		3.73		4.46
1 inch		6.21		7.43
1 1/2 inch		12.43		14.88
2 inch		19.89		23.80
3 inch		37.28		44.61
4 inch		62.13		74.35
6 inch		124.27		148.72
8 inch		198.83		237.95
10 inch		323.11		386.68
12 inch		534.36		639.50
Private Fire Rate:				
Monthly				
2 inch	$	4.35	$	5.21
2 1/2 inch		6.78		8.11
3 inch		9.77		11.69
4 inch		17.37		20.79
6 inch		39.10		46.79
8 inch		69.51		83.19
10 inch		108.61		129.98
12 inch		156.39		187.16
16 inch		-		-
Hydrant Rental		19.56		23.41
Public Fire Service - Monthly				
Hydrant Rental	$	-	$	-
Surcharge		-		-

Typical Residential Bill Comparison
Wabash

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 1.2217	0-20	$ 1.4621
21-5,000	$ 1.0337	21-5,000	$ 1.2371
over 5,000	$ 0.5967	over 5,000	$ 0.7141

5/8" Meter Customer Charge Comparison

Monthly Customer Charge	$ 13.67	$ 16.36

5/8" Bill Comparison

Present Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 13.67	$ 16.36	$ 2.69	19.68%
1	14.89	17.82	2.93	19.68%
2	16.11	19.28	3.17	19.68%
3	17.34	20.75	3.41	19.67%
4	18.56	22.21	3.65	19.67%
5	19.78	23.67	3.89	19.67%
6	21.00	25.13	4.13	19.67%
7	22.22	26.59	4.37	19.67%
8	23.44	28.06	4.62	19.71%
9	24.67	29.52	4.85	19.66%
10	25.89	30.98	5.09	19.66%
12	28.33	33.91	5.58	19.70%
14	30.77	36.83	6.06	19.69%
16	33.22	39.75	6.53	19.66%
18	35.66	42.68	7.02	19.69%
20	38.10	45.60	7.50	19.69%
22	40.17	48.07	7.90	19.67%
24	42.23	50.55	8.32	19.70%
26	44.30	53.02	8.72	19.68%
28	46.37	55.50	9.13	19.69%
30	48.44	57.97	9.53	19.67%
40	58.77	70.34	11.57	19.69%
50	69.11	82.71	13.60	19.68%
100	120.80	144.57	23.77	19.68%

Indiana [illegible]rican Water Company, Inc.
Test year ended June 30, 2006

Petitioner's Ex[illegible]t GMV-5
Schedule 17

Cause Number 43187

Class and Schedule Revenue Summary
Warsaw

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 815,343	$ 11,249	$ 826,592	36.08%	$ 981,188	36.33%	$ 154,596	18.70%
2									
3	Commercial	682,460	3,941	686,401	29.96%	809,163	29.96%	122,762	17.88%
4									
5	Industrial	398,414	15,709	414,123	18.08%	476,718	17.65%	62,595	15.12%
6									
7	O.P.A.	64,342	(831)	63,511	2.77%	74,759	2.77%	11,248	17.71%
8									
9	Sales For Resale	0	0	0	0.00%	0	0.00%	0	0.00%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	0	88	88	0.00%	88	0.00%	0	0.00%
14									
15	Private Fire Service	183,973	(1,320)	182,653	7.97%	218,591	8.09%	35,938	19.68%
16									
17	Public Fire Service	109,051	5,187	114,238	4.99%	136,719	5.06%	22,481	19.68%
18									
19	Total Water Revenues	$ 2,253,583	$ 34,023	$ 2,287,606	99.86%	$ 2,697,226	99.88%	$ 409,620	17.91%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	3,155	53	3,208	0.14%	3,208	0.12%	0	0.00%
25									
26	Unbilled Revenues	8,869	(8,869)	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 2,265,607	$ 25,207	$ 2,290,814	100.00%	$ 2,700,434	100.00%	$ 409,620	17.88%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Warsaw District
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-17-U

Revenue Increase Required:	$	322,854
DSIC Revenue at Present Rates:		33,940
Revenue Required for Rate Calculation:	$	356,794
Present Revenue Subject to Increase:	$	2,287,606
DSIC Revenues at Present Rates:		33,940
Present Revenue Less DSIC Revenues at Present Rates:	$	2,253,666
Percentage Increase:		19.675420%

Warsaw District:		Present Rates 10/4/2006		Proposed Rates 12/1/2006
Customer Charge:				
Monthly				
5/8 inch	$	9.08	$	10.87
3/4 inch		13.62		16.30
1 inch		22.70		27.17
1 1/2 inch		45.39		54.32
2 inch		72.63		86.92
3 inch		136.19		162.99
4 inch		226.98		271.64
6 inch		453.97		543.29
8 inch		726.35		869.26
10 inch		1,180.31		1,412.54
12 inch		1,952.06		2,336.14
Consumption Charge:				
Monthly CCF				
1st block	$	1.8279	$	2.1875
2nd block		1.8279		2.1875
3rd block		0.8442		1.0103
4th block		0.5571		0.6667
5th block		0.5571		0.6667
DSIC Surcharge per CCF		0.0277		-
Sale for Resale - CCF				
Public Fire Protection Surcharge Monthly				
5/8 inch	$	1.37	$	1.64
3/4 inch		2.05		2.45
1 inch		3.42		4.09
1 1/2 inch		6.84		8.19
2 inch		10.94		13.09
3 inch		20.51		24.55
4 inch		34.17		40.89
6 inch		68.35		81.80
8 inch		109.36		130.88
10 inch		177.71		212.68
12 inch		293.90		351.73
Private Fire Rate:				
Monthly				
2 inch	$	9.41	$	11.26
2 1/2 inch		14.67		17.56
3 inch		21.16		25.32
4 inch		37.63		45.03
6 inch		84.67		101.33
8 inch		150.51		180.12
10 inch		235.18		281.45
12 inch		338.64		405.27
16 inch		-		-
Hydrant Rental		42.33		50.66
Public Fire Service - Monthly				
Hydrant Rental	$	-	$	-
Surcharge		-		-

Typical Residential Bill Comparison
Warsaw

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 1.8279	0-20	$ 2.1875
21-5,000	$ 1.8279	21-5,000	$ 2.1875
over 5,000	$ 0.8442	over 5,000	$ 1.0103

5/8" Meter Customer Charge Comparison

Monthly Customer Charge - Present	$ 9.08	Monthly Customer Charge - Proposed	$ 10.87

5/8" Bill Comparison

Present Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 9.08	$ 10.87	$ 1.79	19.71%
1	10.91	13.06	2.15	19.71%
2	12.74	15.25	2.51	19.70%
3	14.56	17.43	2.87	19.71%
4	16.39	19.62	3.23	19.71%
5	18.22	21.81	3.59	19.70%
6	20.05	24.00	3.95	19.70%
7	21.88	26.18	4.30	19.65%
8	23.70	28.37	4.67	19.70%
9	25.53	30.56	5.03	19.70%
10	27.36	32.75	5.39	19.70%
12	31.01	37.12	6.11	19.70%
14	34.67	41.50	6.83	19.70%
16	38.33	45.87	7.54	19.67%
18	41.98	50.25	8.27	19.70%
20	45.64	54.62	8.98	19.68%
22	49.30	59.00	9.70	19.68%
24	52.95	63.37	10.42	19.68%
26	56.61	67.75	11.14	19.68%
28	60.26	72.12	11.86	19.68%
30	63.92	76.50	12.58	19.68%
40	82.20	98.37	16.17	19.67%
50	100.48	120.25	19.77	19.68%
100	191.87	229.62	37.75	19.67%

Class and Schedule Revenue Summary
West Lafayette

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 2,065,663	$ (18,182)	$ 2,047,481	55.49%	$ 2,429,480	55.57%	$ 381,999	18.66%
2									
3	Commercial	1,232,672	(11,352)	1,221,320	33.10%	1,441,084	32.96%	219,764	17.99%
4									
5	Industrial	37,889	(2,660)	35,229	0.95%	41,497	0.95%	6,268	17.79%
6									
7	O.P.A.	73,906	78	73,984	2.00%	86,842	1.99%	12,858	17.38%
8									
9	Sales For Resale	0	0	0	0.00%	0	0.00%	0	0.00%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	484	608	1,092	0.03%	1,288	0.03%	196	17.95%
14									
15	Private Fire Service	144,302	(353)	143,949	3.90%	172,267	3.94%	28,318	19.67%
16									
17	Public Fire Service	170,268	(4,894)	165,374	4.48%	197,780	4.52%	32,406	19.60%
18									
19	Total Water Revenues	$ 3,725,184	$ (36,755)	$ 3,688,429	99.96%	$ 4,370,238	99.96%	$ 681,809	18.49%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	1,632	24	1,656	0.04%	1,656	0.04%	0	0.00%
25									
26	Unbilled Revenues	(25,841)	25,841	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 3,700,975	$ (10,890)	$ 3,690,085	100.00%	$ 4,371,894	100.00%	$ 681,809	18.48%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the West Lafayette District
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-17-U

Revenue Increase Required:	$ 871,704
DSIC Revenue at Present Rates:	36,847
Revenue Required for Rate Calculation:	$ 908,551
Present Revenue Subject to Increase:	$ 3,688,429
DSIC Revenues at Present Rates:	36,847
Present Revenue Less DSIC Revenues at Present Rates:	$ 3,651,582
Percentage Increase:	19.675420%

West Lafayette District:	**Present Rates 10/4/2006**	**Proposed Rates 12/1/2006**
Customer Charge:		
Monthly		
5/8 inch	$ 9.08	$ 10.87
3/4 inch	13.62	16.30
1 inch	22.70	27.17
1 1/2 inch	45.39	54.32
2 inch	72.63	86.92
3 inch	136.19	162.99
4 inch	226.98	271.64
6 inch	453.97	543.29
8 inch	726.35	869.26
10 inch	1,180.31	1,412.54
12 inch	1,952.06	2,336.14
Consumption Charge:		
Monthly CCF		
1st block	$ 1.2729	$ 1.5233
2nd block	1.2729	1.5233
3rd block	0.9450	1.1309
4th block	0.6152	0.7362
5th block	0.6152	0.7362
DSIC Surcharge per CCF	0.0212	-
Sale for Resale - CCF		
Public Fire Protection Surcharge Monthly		
5/8 inch	$ -	$ -
3/4 inch	-	-
1 inch	-	-
1 1/2 inch	-	-
2 inch	-	-
3 inch	-	-
4 inch	-	-
6 inch	-	-
8 inch	-	-
10 inch	-	-
12 inch	-	-
Private Fire Rate:		
Monthly		
2 inch	$ 7.27	$ 8.70
2 1/2 inch	11.33	13.56
3 inch	16.34	19.55
4 inch	29.06	34.78
6 inch	65.37	78.23
8 inch	116.21	139.07
10 inch	181.58	217.31
12 inch	261.47	312.92
16 inch	-	-
Hydrant Rental	$ 32.69	$ 39.12
Public Fire Service - Monthly		
Hydrant Rental	$ 20.21	$ 24.19
Surcharge	2.36	2.82

Typical Residential Bill Comparison
West Lafayette

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 1.2729	0-20	$ 1.5233
21-5,000	$ 1.2729	21-5,000	$ 1.5233
over 5,000	$ 0.9450	over 5,000	$ 1.1309

5/8" Meter Customer Charge Comparison

Monthly Customer Charge	$ 9.08	$ 10.87

5/8" Bill Comparison

Present Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 9.08	$ 10.87	$ 1.79	19.71%
1	10.35	12.39	2.04	19.71%
2	11.63	13.92	2.29	19.69%
3	12.90	15.44	2.54	19.69%
4	14.17	16.96	2.79	19.69%
5	15.44	18.49	3.05	19.75%
6	16.72	20.01	3.29	19.68%
7	17.99	21.53	3.54	19.68%
8	19.26	23.06	3.80	19.73%
9	20.54	24.58	4.04	19.67%
10	21.81	26.10	4.29	19.67%
12	24.35	29.15	4.80	19.71%
14	26.90	32.20	5.30	19.70%
16	29.45	35.24	5.79	19.66%
18	31.99	38.29	6.30	19.69%
20	34.54	41.34	6.80	19.69%
22	37.09	44.39	7.30	19.68%
24	39.63	47.43	7.80	19.68%
26	42.18	50.48	8.30	19.68%
28	44.72	53.53	8.81	19.70%
30	47.27	56.57	9.30	19.67%
40	60.00	71.81	11.81	19.68%
50	72.73	87.04	14.31	19.68%
100	136.37	163.20	26.83	19.67%

Indiana American Water Company, Inc.
Test year ended June 30, 2006

Petitioner's Exhibit GMV-5
Schedule 19

Cause Number 43187

Class and Schedule Revenue Summary
Winchester

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 461,328	$ 7,039	$ 468,367	56.41%	$ 544,329	56.64%	$ 75,962	16.22%
2									
3	Commercial	136,989	3,850	140,839	16.96%	161,748	16.83%	20,909	14.85%
4									
5	Industrial	55,928	5,055	60,983	7.35%	66,936	6.96%	5,953	9.76%
6									
7	O.P.A.	30,942	1,175	32,117	3.87%	36,736	3.82%	4,619	14.38%
8									
9	Sales For Resale	0	0	0	0.00%	0	0.00%	0	0.00%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	0	0	0	0.00%	0	0.00%	0	0.00%
14									
15	Private Fire Service	46,457	(3,222)	43,235	5.21%	51,741	5.38%	8,506	19.67%
16									
17	Public Fire Service	76,296	(444)	75,852	9.14%	90,775	9.44%	14,923	19.67%
18									
19	Total Water Revenues	$ 807,940	$ 13,453	$ 821,393	98.93%	$ 952,265	99.08%	$ 130,872	15.93%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	1,208	7,639	8,847	1.07%	8,847	0.92%	0	0.00%
25									
26	Unbilled Revenues	693	(693)	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 809,841	$ 20,399	$ 830,240	100.00%	$ 961,112	100.00%	$ 130,872	15.76%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Winchester District
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff W-17-U

Revenue Increase Required:	$ 203,333
DSIC Revenue at Present Rates:	25,776
Revenue Required for Rate Calculation:	$ 229,109
Present Revenue Subject to Increase:	$ 821,393
DSIC Revenues at Present Rates:	25,776
Present Revenue Less DSIC Revenues at Present Rates:	$ 795,617
Percentage Increase:	19.675420%

Winchester District:	**Present Rates 10/4/2006**	**Proposed Rates 12/1/2006**
Customer Charge:		
Monthly		
5/8 inch	$ 10.09	$ 12.08
3/4 inch	15.13	18.11
1 inch	25.22	30.18
1 1/2 inch	50.44	60.36
2 inch	80.70	96.58
3 inch	151.33	181.10
4 inch	252.20	301.82
6 inch	504.41	603.65
8 inch	807.06	965.85
10 inch	1,311.46	1,569.50
12 inch	2,168.96	2,595.71
Consumption Charge:		
Monthly CCF		
1st block	$ 2.0092	$ 2.4045
2nd block	2.0092	2.4045
3rd block	1.3575	1.6246
4th block	0.6788	0.8124
5th block	0.6788	0.8124
DSIC Surcharge per CCF	0.1111	-
Sale for Resale - CCF		
Public Fire Protection Surcharge Monthly		
5/8 inch	$ -	$ -
3/4 inch	-	-
1 inch	-	-
1 1/2 inch	-	-
2 inch	-	-
3 inch	-	-
4 inch	-	-
6 inch	-	-
8 inch	-	-
10 inch	-	-
12 inch	-	-
Private Fire Rate:		
Monthly		
2 inch	$ 9.41	$ 11.26
2 1/2 inch	14.67	17.56
3 inch	21.16	25.32
4 inch	37.63	45.03
6 inch	84.67	101.33
8 inch	150.51	180.12
10 inch	235.18	281.45
12 inch	338.64	405.27
16 inch	-	-
Hydrant Rental	$ 42.33	$ 50.66
Public Fire Service - Monthly		
Hydrant Rental	$ 36.75	$ 43.98
Surcharge	2.49	2.98

Typical Residential Bill Comparison
Winchester

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ 2.0092	0-20	$ 2.4045
21-5,000	$ 2.0092	21-5,000	$ 2.4045
over 5,000	$ 1.3575	over 5,000	$ 1.6246

5/8" Meter Customer Charge Comparison

Monthly Customer Charge	$ 10.09	$ 12.08

5/8" Bill Comparison

	Present Rates		Proposed Rates		
	Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	10.09		$ 12.08	$ 1.99	19.72%
1	12.1		14.48	2.38	19.67%
2	14.11		16.89	2.78	19.70%
3	16.12		19.29	3.17	19.67%
4	18.13		21.70	3.57	19.69%
5	20.14		24.10	3.96	19.66%
6	22.15		26.51	4.36	19.68%
7	24.15		28.91	4.76	19.71%
8	26.16		31.32	5.16	19.72%
9	28.17		33.72	5.55	19.70%
10	30.18		36.13	5.95	19.72%
12	34.2		40.93	6.73	19.68%
14	38.22		45.74	7.52	19.68%
16	42.24		50.55	8.31	19.67%
18	46.26		55.36	9.10	19.67%
20	50.27		60.17	9.90	19.69%
22	54.29		64.98	10.69	19.69%
24	58.31		69.79	11.48	19.69%
26	62.33		74.60	12.27	19.69%
28	66.34		79.41	13.07	19.70%
30	70.36		84.22	13.86	19.70%
40	90.45		108.26	17.81	19.69%
50	110.55		132.31	21.76	19.68%
100	211.01		252.53	41.52	19.68%

Indiana American Water Company, Inc.
Test year ended June 30, 2006

Petitioner's Exhibit GMV-5
Schedule 20

Cause Number 43187

Class and Schedule Revenue Summary
Muncie Waste Water

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 244,671	$ 3,093	$ 247,764	99.57%	$ 296,499	99.57%	$ 48,735	19.67%
2									
3	Commercial	672	388	1,060	0.43%	1,268	0.43%	208	19.62%
4									
5	Industrial	0	0	0	0.00%	0	0.00%	0	0.00%
6									
7	O.P.A.	0	0	0	0.00%	0	0.00%	0	0.00%
8									
9	Sales For Resale	0	0	0	0.00%	0	0.00%	0	0.00%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	0	0	0	0.00%	0	0.00%	0	0.00%
14									
15	Private Fire Service	0	0	0	0.00%	0	0.00%	0	0.00%
16									
17	Public Fire Service	0	0	0	0.00%	0	0.00%	0	0.00%
18									
19	Total Water Revenues	$ 245,343	$ 3,481	$ 248,824	100.00%	$ 297,767	100.00%	$ 48,943	19.67%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	0	(2)	(2)	0.00%	(2)	0.00%	0	0.00%
25									
26	Unbilled Revenues	18,389	(18,389)	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 263,732	$ (14,910)	$ 248,822	100.00%	$ 297,765	100.00%	$ 48,943	19.67%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Sewer Group Districts
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff S-17-A

Revenue Increase Required:	$	110,850
DSIC Revenue at Present Rates:		0
Revenue Required for Rate Calculation:	$	110,850
Present Revenue Subject to Increase:	$	320,611
DSIC Revenues at Present Rates:		0
Present Revenue Less DSIC Revenues at Present Rates:	$	320,611
Percentage Increase:		19.675420%

Sewer Groups:		Present Rates 11/22/2004		Proposed Rates 12/1/2006
Customer Charge:				
Monthly				
Fixed Rate - Muncie and Somerset Waste Water:	$	55.77	$	66.74

Typical Residential Bill Comparison
Muncie Waste Water

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ -	0-20	$ -
21-5,000	$ -	21-5,000	$ -
over 5,000	$ -	over 5,000	$ -

5/8" Meter Customer Charge Comparison

Monthly Customer Charge - Present: $ 55.77   Monthly Customer Charge - Proposed: $ 66.74

5/8" Bill Comparison

Present Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 55.77	$ 66.74	$ 10.97	19.67%
1	55.77	66.74	10.97	19.67%
2	55.77	66.74	10.97	19.67%
3	55.77	66.74	10.97	19.67%
4	55.77	66.74	10.97	19.67%
5	55.77	66.74	10.97	19.67%
6	55.77	66.74	10.97	19.67%
7	55.77	66.74	10.97	19.67%
8	55.77	66.74	10.97	19.67%
9	55.77	66.74	10.97	19.67%
10	55.77	66.74	10.97	19.67%
12	55.77	66.74	10.97	19.67%
14	55.77	66.74	10.97	19.67%
16	55.77	66.74	10.97	19.67%
18	55.77	66.74	10.97	19.67%
20	55.77	66.74	10.97	19.67%
22	55.77	66.74	10.97	19.67%
24	55.77	66.74	10.97	19.67%
26	55.77	66.74	10.97	19.67%
28	55.77	66.74	10.97	19.67%
30	55.77	66.74	10.97	19.67%
40	55.77	66.74	10.97	19.67%
50	55.77	66.74	10.97	19.67%
100	55.77	66.74	10.97	19.67%

Indiana American Water Company, Inc.
Test year ended June 30, 2006

Class and Schedule Revenue Summary
Somerset Waste Water

Line No.	Class/ Description	Test Year Revenues	Adjustment	Present Total Revenue	% of Revenue to Total	Proposed Total Revenue	% of Revenue to Total	Dollar Increase	Total Revenue % Increase
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	$ 54,110	$ (2)	$ 54,108	75.38%	$ 64,751	75.38%	$ 10,643	19.67%
2									
3	Commercial	16,336	674	17,010	23.70%	20,356	23.70%	3,346	19.67%
4									
5	Industrial	0	0	0	0.00%	0	0.00%	0	0.00%
6									
7	O.P.A.	672	(3)	669	0.93%	801	0.93%	132	19.73%
8									
9	Sales For Resale	0	0	0	0.00%	0	0.00%	0	0.00%
10									
11	Plant Sales	0	0	0	0.00%	0	0.00%	0	0.00%
12									
13	Miscellaneous	0	0	0	0.00%	0	0.00%	0	0.00%
14									
15	Private Fire Service	0	0	0	0.00%	0	0.00%	0	0.00%
16									
17	Public Fire Service	0	0	0	0.00%	0	0.00%	0	0.00%
18									
19	Total Water Revenues	$ 71,118	$ 669	$ 71,787	100.01%	$ 85,908	100.01%	$ 14,121	19.67%
20									
21									
22	Forfeited Discounts	0	0	0	0.00%	0	0.00%	0	0.00%
23									
24	Other Operating Revenues	0	(5)	(5)	-0.01%	(5)	-0.01%	0	0.00%
25									
26	Unbilled Revenues	4,562	(4,562)	0	0.00%	0	0.00%	0	0.00%
27									
28	Pro Forma Total Operating								
29	Revenues per Petitioner's								
30	Bill Analysis	$ 75,680	$ (3,898)	$ 71,782	100.00%	$ 85,903	100.00%	$ 14,121	19.67%

Indiana American Water Company
Cause No. 43187 Page 2 of Schedule
Proposed Revenue Increase for the Sewer Group Districts
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff S-17-A

Revenue Increase Required:	$ 110,850
DSIC Revenue at Present Rates:	0
Revenue Required for Rate Calculation:	$ 110,850
Present Revenue Subject to Increase:	$ 320,611
DSIC Revenues at Present Rates:	0
Present Revenue Less DSIC Revenues at Present Rates:	$ 320,611
Percentage Increase:	19.675420%

Sewer Groups:	**Present Rates 11/22/2004**	**Proposed Rates 12/1/2006**
Customer Charge:		
Monthly		
Fixed Rate - Muncie and Somerset Waste Water:	$ 55.77	$ 66.74

Indiana American Water Company
Cause Number 42520
Proposed Revenue Increase for the Sewer Group Districts
For the Twelve Months Ended June 30, 2006
Under Proposed Tariff S-17-A

Revenue Increase Required:	$	110,850
DSIC Revenue at Present Rates:		0
Revenue Required for Rate Calculation:	$	110,850
Present Revenue Subject to Increase:	$	320,611
DSIC Revenues at Present Rates:		0
Present Revenue Less DSIC Revenues at Present Rates:	$	320,611
Percentage Increase:		19.675420%

Sewer Groups:	Present Rates 11/22/2004	Proposed Rates 12/1/2006
Customer Charge:		
Monthly		
Fixed Rate - Muncie and Somerset Waste Water:	$ 55.77	$ 66.74

Typical Residential Bill Comparison
Somerset Waste Water

Block Comparison

Present Rates Blocks (Monthly)	Amount	Proposed Rates Blocks (Monthly)	Amount
0-20	$ -	0-20	$ -
21-5,000	$ -	21-5,000	$ -
over 5,000	$ -	over 5,000	$ -

5/8" Meter Customer Charge Comparison

Monthly Customer Charge - Present:	$ 55.77	Monthly Customer Charge - Proposed:	$ 66.74

5/8" Bill Comparison

Present Rates		Proposed Rates		
Monthly Level of Usage	Monthly Bill at Present Rates	Monthly Amount	Dollar Change	Percent Change
0	$ 55.77	$ 66.74	$ 10.97	19.67%
1	55.77	66.74	10.97	19.67%
2	55.77	66.74	10.97	19.67%
3	55.77	66.74	10.97	19.67%
4	55.77	66.74	10.97	19.67%
5	55.77	66.74	10.97	19.67%
6	55.77	66.74	10.97	19.67%
7	55.77	66.74	10.97	19.67%
8	55.77	66.74	10.97	19.67%
9	55.77	66.74	10.97	19.67%
10	55.77	66.74	10.97	19.67%
12	55.77	66.74	10.97	19.67%
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24	55.77	66.74	10.97	19.67%
26	55.77	66.74	10.97	19.67%
28	55.77	66.74	10.97	19.67%
30	55.77	66.74	10.97	19.67%
40	55.77	66.74	10.97	19.67%
50	55.77	66.74	10.97	19.67%
100	55.77	66.74	10.97	19.67%

INDIANA AMERICAN WATER COMPANY
Cause Number 43187
COMPARISON OF INCOME STATEMENT AS OF TWELVE MONTHS ENDING JUNE 30, 2006 AND 2005

Description	Income Statement Data Year Ended June 2006	Year Ended June 2005
Water Revenue	$ 136,552,402	$ 133,816,528
Sewer Revenue	339,617	294,134
Other	330,394	173,703
Management		
Total Revenue	$ 137,222,413	$ 134,284,365
Labor	$ 11,915,022	$ 11,809,931
Purchased Water	615,799	554,837
Fuel & Power	5,268,576	4,539,756
Chemicals	1,289,803	1,049,769
Waste Disposal	1,242,715	946,454
Management Fees	15,327,484	10,462,339
Group Insurance	4,062,746	4,140,311
Pensions	2,613,419	1,333,900
Regulatory Expense	350,570	255,649
Insurance Other than Group	1,590,155	1,357,463
Customer Accounting	4,608,118	3,345,127
Rents	356,580	435,871
General Office Expense	2,406,303	5,957,116
Miscellaneous	5,587,482	6,053,129
Other Maintenance	7,187,167	4,928,401
Total O&M	$ 64,421,939	$ 57,170,053
Depreciation	$ 19,810,105	$ 20,662,338
Amortization	260,920	347,598
General Taxes	17,736,100	10,450,922
State Income Taxes	1,536,146	2,835,442
Federal Income Taxes	6,039,432	8,919,181
Tax Savings Acquisition Adj	0	0
Total Operating Expense	$ 109,804,642	$ 100,385,534
Utility Operating Income	$ 27,417,771	$ 33,898,831
Other Income and Deductions:		
Non Operating Rental Income	$ 171,021	$ 165,407
Dividend Income - Common	116	94
Dividend Income - Preferred	0	0
Interest Income	415,575	163,771
AFUDC Equity	557,115	343,582
M & J Misc Income	5,425,096	1,445,870
Gain (loss) on Disposition	(5,030,570)	156,042
Total Other Income:	$ 1,538,353	$ 2,274,766
Miscellaneous Amortization	$ 1,344,047	$ 1,335,372
Tax Savings Acquisiton Adjustment	0	0
Misc Other Deductions	81,456	129,042
General Taxes	0	200
State Income Taxes	(39,625)	23,526
Federal Income Taxes	(163,164)	96,873
Total Other Deductions:	$ 1,222,714	$ 1,585,013
Total Other Income:	$ 315,639	$ 689,753
Income before Interest Charges:	$ 27,733,410	$ 34,588,584
Interest Charges:		
Interest on Long Term Debt	$ 17,077,754	$ 17,155,509
Amortization and Debt Expense	204,144	204,144
Interest - Short Term Bank Debt	0	0
Other Interest Expense	175,582	5,197
AFUDC-Debt	(323,386)	(215,584)
Total Interest Charges:	$ 17,134,094	$ 17,149,266
Net Income:	$ 10,599,316	$ 17,439,318
Preferred Dividend Declared:	0	12,000
Net Income to Common Stock:	$ 10,599,316	$ 17,427,318

INDIANA AMERICAN WATER COMPANY
Cause Number 43187
BALANCE SHEET AS OF
TWELVE MONTHS ENDING JUNE 30, 2006 AND 2005

	Balance Sheet Data	
ASSETS	Year Ended June 2006	Year Ended June 2005
Utility Plant	$ 827,885,271	$ 791,290,322
Construction work in progress	9,943,165	14,648,534
Accumulated depreciation	(194,821,896)	(179,970,550)
Utility plant acquisition adjustment	38,714,215	40,071,009
Other utility plant adjustments	0	0
Sub-total Utility Plant	**$ 681,720,755**	**$ 666,039,315**
Non-Utility property	$ 755,808	$ 777,103
Other investments	610,631	610,631
Current Assets		
Cash and cash equivalents	$ 5,017,636	$ 5,392,153
Temporary investments	0	0
Customer accounts receivable	11,121,308	11,987,903
Allowance for uncollectible accounts	(963,594)	(437,088)
Unbilled revenues	8,270,572	12,027,563
FIT refund due from assoc. companies	5,968,622	2,592,425
Miscellaneous receivables	161,120	164,860
Materials and supplies	1,263,635	1,559,555
Other	1,771,746	1,304,757
Sub-total	**$ 32,611,045**	**$ 34,592,128**
Deferred debits	$ -	$ -
Debt and preferred stock	2,374,658	2,578,808
Expense of rate proceeding	339,395	636,477
Prelim survey & invest charges	3,400	7,106
Reg Asset-income tax recovery	12,085,895	12,257,051
Other	12,371,510	14,726,726
Sub-total	**$ 27,174,858**	**$ 30,206,168**
Total Assets	**$ 742,873,097**	**$ 732,225,345**
CAPITAL AND LIABILITIES		
Common Stock	$ 92,760,900	$ 92,760,900
Paid in capital	33,952,868	33,952,868
Retained Earnings	81,744,166	73,590,840
Unearned Compensation	0	0
Reacquired C/S & Accum Comp Inc	0	0
Total common equity	**$ 208,457,934**	**$ 200,304,608**
Preferred stock	$ -	$ 390,000
Long term debt	251,886,733	253,688,611
Total capitalization	**$ 460,344,667**	**$ 454,383,219**
Current liabilities		
Bank debt	$ -	$ -
Current portion of LTD	2,150,503	1,204,000
Accounts Payable	3,236,767	3,962,830
Taxes accrued	14,635,812	14,761,532
Interest accrued	5,042,934	5,556,498
Customer deposits	0	0
Dividends declared	0	0
Other	7,970,054	7,919,904
Sub-total	**$ 33,036,070**	**$ 33,404,764**
Deferred credits		
Customer adv. for construction	$ 62,562,239	$ 54,227,291
Deferred income taxes	81,293,322	78,907,161
Deferred investment tax credits	2,395,925	2,625,881
Reg.liab-inc.tax.refund thru rates	28,096,139	26,845,842
Other	11,204,145	10,674,563
Sub-total	**$ 185,551,770**	**$ 173,280,738**
Contributions in aid of construction	**$ 71,645,367**	**$ 69,634,206**
Total capital and liabilities	**$ 750,577,874**	**$ 730,702,927**

PETITIONER'S EXHIBIT PRM-1

INDIANA-AMERICAN WATER COMPANY

IURC CAUSE NO. 43187

DIRECT TESTIMONY

OF

PAUL R. MOUL

SPONSORING

PETITIONER'S EXHIBIT PRM-2

INDIANA-AMERICAN WATER COMPANY

Direct Testimony of Paul R. Moul

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

ACRONYM	DEFINED TERM
AFUDC	Allowance for Funds Used During Construction
β	Beta
b	represents the retention rate that consists of the fraction of earnings that are not paid out as dividends
b x r	Represents internal growth
CAPM	Capital Asset Pricing Model
CCR	Corporate Credit Rating
DCF	Discounted Cash Flow
FFO	Funds from Operations
FOMC	Federal Open Market Committee
g	Growth rate
GDP	Gross Domestic Product
IGF	Internally Generated Funds
IURC	Indiana Utility Regulatory Commission
Lev	Leverage modification
LT	Long Term
MLP	Master Limited Partnerships
MM	Modigliani and Miller
PUC	Public Utility Commission
r	represents the expected rate of return on common equity
Rf	Risk-free rate of return
Rm-Rf	Market risk premium
s	Represents the new common shares expected to be issued by a firm
s x v	Represents external growth
S&P	Standard & Poor's
v	represents the value that accrues to existing shareholders from selling stock at a price different from book value

DIRECT TESTIMONY
OF
PAUL R. MOUL
CAUSE NO. 43187

INTRODUCTION AND SUMMARY OF RECOMMENDATIONS

Q. Please state your name, occupation, and business address.

A. My name is Paul Ronald Moul. My business address is 251 Hopkins Road, Haddonfield, New Jersey 08033-3062. I am Managing Consultant of the firm P. Moul & Associates, an independent financial and regulatory consulting firm. My educational background, business experience, and qualifications are provided in Appendix A, which follows my direct testimony.

Q. What is the purpose of your testimony?

A. My testimony presents evidence, analysis and a recommendation concerning the cost of common equity for Indiana-American Water Company ("Indiana American" or the "Company"). My analysis and recommendation are supported by the detailed financial data contained in Petitioner's Exhibit PRM-2, which is a multi-page document divided into twelve (12) schedules. Additional evidence, in the form of appendices, follows my direct testimony. The items covered in these appendices provide additional detailed information concerning the explanation and application of the various financial models upon which I rely.

Q. Based upon your analysis, what is your conclusion concerning the cost of

common equity for the Company in this case?

A. My conclusion is that the Company's cost of common equity is within a range of 11.25% to 11.75%. From this range, I recommend an 11.50% cost of common equity for the purpose of this case. As shown on Schedule 1, I have presented the weighted average cost of capital for the Company, as taken from the pre-filed direct testimony of Mr. James M. Jenkins, the Company's Chief Financial Officer. Calculations are also provided that include capital from non-investor provided sources typically used in the ratesetting process by the Indiana Utility Regulatory Commission ("Commission" or "IURC"). The resulting overall cost of capital is the product of weighting the individual capital costs by the proportion of each respective type of capital. The weighted average cost of capital is necessary to establish a compensatory level of return for the use of capital and to provide the Company with the ability to attract capital on reasonable terms.

Q. Please briefly describe the Company.

A. The Company is a wholly-owned subsidiary of American Water Works Company, Inc. ("AWW"). AWW is in the process of undergoing an initial public offering of its common stock, which is further described in the testimony of the Company's President, Terry M. Gloriod.

The Company provides water service to approximately 280,000 customers throughout Indiana. In 2005, the Company provided service to residential customers, which represented approximately 41% of water sales, commercial customers, which represented approximately 26% of water sales, industrial customers, which represented approximately 15% of water sales, and fire protection and other customers, which represented approximately 18% of water sales.

The Company's source of supply is obtained from ground water, from surface water, and from purchases.

Q. How have you determined the cost of common equity in this case?

A. The cost of common equity is established using capital market and financial data relied upon by investors to assess the relative risk, and hence the cost of equity, for a water utility, such as Indiana American. In this regard, I relied on four well-recognized measures of the cost of equity: the Discounted Cash Flow ("DCF") model, the Risk Premium ("RP") analysis, the Capital Asset Pricing Model ("CAPM"), and the Comparable Earnings ("CE") approach.

Q. In your opinion, what factors should the Commission consider when determining the Company's cost of capital in this proceeding?

A. The Commission's cost of capital analysis must provide a utility with the opportunity to cover its interest and dividend payments, provide a reasonable level of earnings retention, produce an adequate level of internally generated funds to meet capital requirements, be adequate to attract capital in all market conditions, be commensurate with the risk to which the utility's capital is exposed, and support reasonable credit quality.

Q. What factors have you considered in measuring the cost of equity in this case?

A. The models that I used to measure the cost of common equity for the Company were applied with market and financial data developed from my proxy group of eight water companies. The proxy group consists of water companies that: (i) are contained in The Value Line Investment Survey, (ii) their stock is publicly-traded, and (iii) they are not currently the target of an announced merger or acquisition. The companies in the proxy group are identified on page 2 of Schedule 3. I will refer to these companies as the "Water Group" throughout my testimony.

Q. How have you performed your cost of equity analysis with the market data for the Water Group?

A. I have applied the models/methods for estimating the cost of equity using the average data for the Water Group. I have not separately measured the cost of equity for the individual companies within the Water Group, because the determination of the cost of equity for an individual company has become increasingly problematic. By employing group average data, rather than individual companies' analysis, I have helped to minimize the effect of extraneous influences on the market data for an individual company.

Q. Please summarize your cost of equity analysis.

A. My cost of equity determination was derived from the results of the methods/models identified above. In general, the use of more than one method provides a superior foundation to arrive at the cost of equity. At any point in time, any single method can provide an incomplete measure of the cost of equity depending upon extraneous factors that may influence market sentiment. The specific application of these methods/models will be described later in my testimony. The following table provides a summary of the indicated costs of equity using each of these approaches.

	Water Group
DCF	10.87%
Risk Premium	11.46%
CAPM	12.86%
Comparable Earnings	14.55%
Average	12.44%
Median	12.16%
Mid-point	12.71%

Focusing upon the market model approaches (i.e., DCF, RP and CAPM), the average equity return is 11.73% (10.87% + 11.46% + 12.86% = 35.19% ÷ 3). The DCF and Risk Premium approaches provide a return of 11.17% (10.87% + 11.46% = 22.33% ÷ 2). From all these measures, I recommend that the Commission set the Company's rate of return on common equity within the range of 11.25% to 11.75%, and to employ an 11.50% cost of equity to calculate its weight average cost of capital.

I should note that at this time, the DCF model is providing atypical results. That is to say, the low DCF returns can be traced in part to the unfavorable investor sentiment for the Water companies. Indeed, the average Value Line Timeliness Rank for my Water Group is "4," which places them in the below average category and signifies that they are relatively unattractive investments. Moreover, page 5 of Schedule 11 shows that the water utility companies are ranked 96 out of 98 industries for probable performance over the next twelve months. The significance of this low ranking is that performance for this group is expected to be subpar, thereby indicating that the DCF results will not provide a cost of equity indication that corresponds with the results of the other methods/models. Although I have not ignored the DCF results, I am recommending less reliance on DCF in this case.

WATER UTILITY RISK FACTORS

Q. Please identify some of the risk factors which impact the water utility industry.

A. The business risk of the water utilities has been strongly influenced by water quality concerns. The Safe Drinking Water Act Amendments of 1996 ("SDWA"), which re-authorized the SDWA for the second time since its original passage in

1974, instituted policies and procedures governing water quality. Significant aspects of the 1996 Act provide that the federal Environmental Protection Agency ("EPA"), in conjunction with other interested parties, will develop a list of contaminants for possible regulation and must update that list every 5 years. From that list, EPA must select at least five contaminants and determine whether to regulate them. This process must be repeated every five years. The EPA may bypass this process and adopt interim regulations for contaminants which pose an urgent health threat.

The current priorities of the EPA include regulations directed to: (i) microbials, disinfectants and disinfection byproducts, (ii) radon, (iii) radionuclides, and (iv) arsenic. The regulations which emanate from the EPA concerning certain potentially hazardous substances noted above, together with the Federal Clean Water Act and the Resource Conservation and Recovery Act, will bear upon the risk of all water utilities. Most of these regulations affect the entire water industry in contrast with certain regulations issued pursuant to the Clean Air Act, which may impact only selected electric utilities. This business risk factor, together with the important role that water service facilities play within the infrastructure, underscores the public policy concerns which are focused on the water utilities. Moreover, since September 11, 2001, water utilities are operating on heightened alert to protect drinking water supplies. Water utilities have taken additional security safeguards including (i) limiting access to treatment and storage facilities, (ii) conducting additional testing and monitoring, (iii) reassessing security procedures and systems, (iv) providing additional training to their personnel.

Q. How do these issues impact the water utility industry?

A. Managers of water utilities have in the past and will in the future focus increased attention on environmental and related regulatory issues. Drinking water quality has also received heightened attention out of concern over the integrity of the source of supply which is often threatened by changing land use and the permissible level of discharged contaminants established by state and federal agencies, and now potential threats from terrorists. Moreover, water companies have experienced increased water treatment and monitoring requirements and escalating costs in order to comply with the increasingly stringent regulatory requirements noted above. Water utilities may also be required to expend resources to undertake research and employ technological innovations to comply with potential regulatory requirements. These factors are symptomatic of the changing business risk faced by water utilities.

Q. Are there other factors that influence the business risk of water utilities?

A. Yes. Being the sole purveyor of potable water from an established infrastructure does not insulate a water utility's operations from general business conditions, regulatory policy, the influence of weather, and customers' usage habits. It is also important to recognize that water companies face higher degrees of capital intensity than other utilities, more costly waste disposal requirements, and threats to their sources of supply. The headlines surrounding MTBE contamination and the regulation of arsenic are cases-in-point.

Q. Are there other structural issues which affect the business risk of water utilities?

A. Yes. As noted above, the high fixed costs of water utilities makes earnings vulnerable to significant variations when usage fluctuates with weather, the economy, and customer conservation efforts. Conservation may result from many sources, such as the increased prevalence of low water usage clothes washers, toilets and shower heads, and the use of other solutions to reduce usage. While the wise use of water is always the objective, the business risk of the water utility industry can be affected by increased customer awareness of conservation. Moreover, current building standards have mandated the use of fixtures which must comply with more stringent water use requirements.

Q. Please identify some of the specific water utility risk factors which impact the Company.

A. The Company must conform its operations to the requirements of the SDWA and Enhanced Surface Water Treatment Rule ("ESWTR"), which include monitoring and testing, compliance with the lead and copper rule, regulation of Disinfectants/Disinfection By-Products ("DDBP"), and other contaminants. Attention to security has also moved to the forefront for the Company. Moreover, high capital intensity is a characteristic typically found in the water utility business. In this regard, the Company's investment in net plant is 4.11 times its revenue, as compared to the Water Group's investment in net plant which is 3.38 times its revenue.

In addition, the Company's risk profile is affected by regulatory risk. As is explained by Mr. Jenkins, the Company has been the subject of substantial disallowances in the ratesetting process, which have negatively impacted the Company's returns on equity.

Q. How is the Company's risk profile affected by its construction program?

A. The Company is engaged in a continuing capital expenditure program necessary to meet the needs of its customers and to comply with various regulations. For the future, the Company expects its capital expenditures, net of customer advances, to be:

Year	Capital Expenditures
2007	$ 57,254,500
2008	91,742,000
2009	53,959,000
2010	65,653,000
2011	46,210,000
Total	$314,818,500

Over the next five years, this represents an investment that is approximately 56% ($314,815,500 ÷ $563,265,000) of net utility plant in service (net of contributions) from the amount at December 31, 2005. In his testimony, Mr. Alan DeBoy has explained the planned expenditures. The Company expects that a meaningful portion of its capital structures will require external financing. As previously noted, a fair rate of return for the Company represents a key to a financial profile that will provide the Company with the ability to raise the capital necessary to meet its capital needs on reasonable terms.

Q. Are there procedures available to the Company to recover the capital costs associated with certain distribution system improvements?

A. Yes. The Distribution System Improvement Charge ("DSIC") provides the Company with a means to collect from its customers the capital cost associated with non-revenue producing and non-expense reducing investment in distribution facilities. Implementation of the DSIC has provided the following benefits:

- Some signal of regulatory support by the Commission for Indiana water companies, although this signal is mixed for the Company given the substantial disallowances in past cases described by Mr. Jenkins.
- Enhanced cash flow i.e., provides additional credit quality support which will help alleviate the low depreciation provisions for water companies.
- Reduced regulatory lag, i.e., helps reduce the gap between achieved and authorized rates of return.
- Permits water utilities to phase-in rate increases for non-revenue producing investment, i.e., avoid rate shock.

- Encourages water companies to maintain a viable infrastructure, i.e., make more timely replacements of an aging distribution system.
- Promotes job growth and economic development.
- Promotes less frequent base rate cases, i.e., lengthens the interval between rate cases and thereby lowers rate case expense.
- Helps maintain high water quality and service reliability through improvements in water pressure, better water quality, and greater fire flows.

There are, however, limitations on the DSIC. Those limitations include:

- The DSIC does not provide a cash return to the utility on qualifying investments during construction, i.e., the DSIC investment must meet the used and useful standard prior to capital recovery.
- The DSIC does not eliminate regulatory oversight, it merely speeds up the process of capital recovery subject to annual reconciliation.

Q. Does the DSIC reduce the Company's risk to the point where the cost of equity will be reduced?

A. No. As noted above, there are many benefits and limitations surrounding the DSIC. The DSIC is designed to provide the Company with the opportunity to achieve the returns that investors expect and the rating agencies require in their credit rating analysis. The availability of the DSIC does not change my rate of return recommendation in this case. This is because the standard cost of equity models represent results which investors expect to achieve in the long run. In addition, the DSIC has become increasingly common in the water utility industry with water utilities in Pennsylvania, Delaware, Ohio, Missouri, and Illinois having such a mechanism.

Q. How should the Commission respond to the evolving business risk facing the Company?

A. The Company is faced with the requirement to invest in new facilities and to maintain and upgrade existing facilities in its service territory. Where a substantial ongoing capital investment is required to meet the high quality of product and service that customers demand, supportive regulation is absolutely essential.

FUNDAMENTAL RISK ANALYSIS

Q. Is it necessary to conduct a fundamental risk analysis to provide a framework for a determination of a utility's cost of equity?

A. Yes. It is necessary to establish a company's relative risk position within its industry through a fundamental analysis of various quantitative and qualitative factors that bear upon investors' assessment of overall risk. The qualitative factors which bear upon the Company's risk have already been discussed. The quantitative risk analysis follows. The items that influence investors' evaluation of risk and its required returns are described in Appendix C. For this purpose, I have utilized the S&P Public Utilities, an industry-wide proxy consisting of various regulated businesses, and the Water Group.

Q. What are the components of the S&P public utilities?

A. The S&P Public Utilities is a widely recognized index that is comprised of electric power and water companies. These companies are identified on page 3 of Schedule 4. I have used this group as a broad-based measure of all types of utility companies.

Q. What criteria did you employ to assemble the Water Group?

A. The Water Group that I employed in this case includes companies that have the following characteristics: (i) they are included in The Value Line Investment Survey, (ii) they have publicly-traded common stock, and (iii) they are not currently the target of an announced merger or acquisition. The Water Group members are identified on page 2 of Schedule 3.

Q. Is knowledge of a utility's bond rating an important factor in assessing its risk and cost of capital?

A. Yes. Knowledge of a company's credit quality and bond rating is important because the cost of each type of capital is directly related to the associated risk of the firm. So while a company's credit quality risk is shown directly by the credit rating and yield on its bonds, these relative risk assessments also bear upon the cost of equity. This is because a firm's cost of equity is represented by its borrowing cost plus compensation to recognize the higher risk of an equity investment compared to debt.

Q. How do the bond ratings compare for the Water Group and the S&P Public Utilities?

A. The average corporate credit rating ("CCR") for the Water Group is an A from Standard and Poor's Corporation ("S&P") and the average Long Term ("LT") issuer rating is A2 from Moody's Investors Services ("Moody's"). The CCR designation by S&P and LT issuer rating by Moody's focuses upon the credit quality of the issuer of the debt, rather than upon the debt obligation itself. For the S&P Public Utilities, the average composite rating is BBB+ by S&P and Baa1 by Moody's. Many of the financial indicators that I will subsequently discuss are considered during the rating process.

Q. How do the financial data compare for Indiana American, the Water Group, and the S&P Public Utilities?

A. The broad categories of financial data that I will discuss are shown on Schedules 2, 3 and 4. The data cover the five-year period 2001-2005. For the purpose of my analysis, I have analyzed the historical results for Indiana American, the Water Group, and the S&P Public Utilities. I will highlight the important categories of relative risk as follows:

Size. In terms of capitalization, Indiana American is fairly similar to the average size of the Water Group. The S&P Public Utilities are many times the size of

Indiana American and the Water Group. All other things being equal, a smaller company is riskier than a larger company because a given change in revenue and expense has a proportionately greater impact on a small firm. As I will demonstrate later, the size of a firm can impact its cost of equity. This is the case for Indiana American and the Water Group.

Market Ratios. Market-based financial ratios provide a partial indication of the investor-required cost of equity. If all other factors are equal, investors will require a higher return on equity for companies that exhibit greater risk, in order to compensate for that risk. That is to say, a firm that investors perceive to have higher risks will experience a lower price per share in relation to expected earnings.[1]

There are no market ratios available for Indiana American because its stock is owned by AWW. The five-year average price-earnings multiple was higher for the Water Group than for the S&P Public Utilities. The five-year average dividend yield was lower for the Water Group, as compared to the S&P Public Utilities. The five-year average market-to-book ratio was higher for the Water Group, as compared to the S&P Public Utilities.

Common Equity Ratio. The level of financial risk is measured by the proportion of long-term debt and other senior capital that is contained in a company's

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[1] For example, two otherwise similarly situated firms each reporting $1.00 in earnings per share would have different market prices at varying levels of risk (i.e., the firm with a higher level of risk will have a lower share value, while the firm with a lower risk profile will have a higher share value).

capitalization. Financial risk is also analyzed by comparing common equity ratios (the complement of the ratio of debt and other senior capital). That is to say, a firm with a high common equity ratio has lower financial risk, while a firm with a low common equity ratio has higher financial risk. The five-year average common equity ratios, based on permanent capital, were 43.6% for Indiana American, 49.6% for the Water Group and 39.5% for the S&P Public Utilities.

Return on Book Equity. Greater variability (i.e., uncertainty) of a firm's earned returns signifies relative levels of risk, as shown by the coefficient of variation (standard deviation ÷ mean) of the rate of return on book common equity. The higher the coefficients of variation, the greater degree of variability. For the five-year period, the coefficients of variation were 0.163 (1.4% ÷ 8.6%) for Indiana American, 0.059 (0.6% ÷ 10.2%) for the Water Group, and 0.231 (2.5% ÷ 10.8%) for the S&P Public Utilities. Also, the Company's historic returns on book common equity are significantly lower than the Water Group and S&P Public Utilities.

Operating Ratios. I have also compared operating ratios (the percentage of revenues consumed by operating expense, depreciation, and taxes other than income).[2] The five-year average operating ratios were 67.7% for Indiana American, 73.5% for the Water Group, and 84.6% for the S&P Public Utilities. The Company's lower operating ratio can be traced to its high capital intensity

[2] The complement of the operating ratio is the operating margin which provides a measure of profitability. The higher the operating ratio, the lower the operating margin.

because a larger operating margin (i.e., the complement of the operating ratio) derives from the income taxes and return associated with a larger capital investment per dollar of revenue.

Coverage. The level of fixed charge coverage (i.e., the multiple by which available earnings cover fixed charges, such as interest expense) provides an indication of the earnings protection for creditors. Higher levels of coverage, and hence earnings protection for fixed charges, are usually associated with superior grades of creditworthiness. The five-year average interest coverage (excluding AFUDC) was 2.44 times for Indiana American, 3.29 times for the Water Group, and 2.68 times for the S&P Public Utilities.

Quality of Earnings. Measures of earnings quality usually are revealed by the percentage of Allowance for Funds Used During Construction ("AFUDC") related to income available for common equity, the effective income tax rate, and other cost deferrals. These measures of earnings quality usually influence a firm's internally generated funds because poor quality of earnings would not generate high levels of cash flow. Quality of earnings has not been a significant concern for Indiana American, the Water Group, and the S&P Public Utilities.

Internally Generated Funds. Internally generated funds ("IGF") provide an important source of new investment capital for a utility and represent a key measure of credit strength. Historically, the five-year average percentage of IGF to capital expenditures was 75.9% for Indiana American, 55.6% for the Water Group, and 109.0% for the S&P Public Utilities.

Betas. The financial data that I have been discussing relate primarily to company-specific risks. Market risk for firms with publicly-traded stock is measured by beta coefficients. Beta coefficients attempt to identify systematic risk, i.e., the risk associated with changes in the overall market for common equities.[3] Value Line publishes such a statistical measure of a stock's relative historical volatility to the rest of the market. A comparison of market risk is shown by the Value Line betas provided on page 2 of Schedule 3 -- .73 as the average for the Water Group, and page 3 of Schedule 4 -- .95 as the average for the S&P Public Utilities. Keeping in mind that the utility industry has changed dramatically during the past five years, the systematic risk percentage is 77% (.73 ÷ .95) for the Water Group using S&P Public Utilities' average beta as a benchmark.

Q. Please summarize your risk evaluation of Indiana American and the Water Group.

A. The Company has a higher degree of capital intensity than the Water Group, its common equity is lower thereby displaying more financial risk, its earnings are more variable, and its interest coverage and returns are lower. The Company

[3] The procedure used to calculate the beta coefficient published by Value Line is described in Appendix I. A common stock that has a beta less than 1.0 is considered to have less systematic risk than the market as a whole and would be expected to rise and fall more slowly than the rest of the market. A stock with a beta above 1.0 would have more systematic risk.

also has very substantial construction requirements for the future. Overall, the fundamental risk factors indicate that the Water Group provides a conservative basis for measuring the Company's cost of equity.

COST OF EQUITY – GENERAL APPROACH

Q. Please describe the process you employed to determine the cost of equity for the Company.

A. Although my fundamental financial analysis provides the required framework to establish the risk relationships among Indiana American, the Water Group and the S&P Public Utilities, the cost of equity must be measured by standard financial models that I describe in Appendix C. Differences in risk traits, such as size, business diversification, geographical diversity, regulatory policy, financial leverage, and bond ratings must be considered when analyzing the cost of equity.

It is also important to reiterate that no one method or model of the cost of equity can be applied in an isolated manner. Rather, informed judgment must be used to take into consideration the relative risk traits of the firm. It is for this reason that I have used more than one method to measure the Company's cost of equity. As noted in Appendix C, and elsewhere in my direct testimony, each of the methods used to measure the cost of equity contains certain incomplete and/or overly restrictive assumptions and constraints that are not optimal. Therefore, I favor considering the results from a variety of methods. In this regard, I applied each of the methods with data taken from the Water Group and have arrived at a range of the cost of equity of 11.25% to 11.75% for Indiana American.

DISCOUNTED CASH FLOW ANALYSIS

Q. Please describe your use of the Discounted Cash Flow approach to determine the cost of equity.

A. The details of my use of the DCF approach and the calculations and evidence in support of my conclusions are set forth in Appendix D. I will summarize them here. The Discounted Cash Flow ("DCF") model seeks to explain the value of an asset as the present value of future expected cash flows discounted at the appropriate risk-adjusted rate of return. In its simplest form, the DCF return on common stocks consists of a current cash (dividend) yield and future price appreciation (growth) of the investment.

Among other limitations of the model, there is a certain element of circularity in the DCF method when applied in rate cases. This is because investors' expectations for the future depend upon regulatory decisions. In turn, when regulators depend upon the DCF model to set the cost of equity, they rely upon investor expectations that include an assessment of how regulators will decide rate cases. Due to this circularity, the DCF model may not fully reflect the true risk of a utility.

As I describe in Appendix E, the DCF approach has other limitations that diminish its usefulness in the ratesetting process when the market capitalization diverges significantly from the book value capitalization. When this situation exists, the DCF method will lead to a misspecified cost of equity when it is applied to a book value capital structure.

Q. Please explain the dividend yield component of a DCF analysis.

A. The DCF methodology requires the use of an expected dividend yield to establish the investor-required cost of equity. For the twelve months ended September 2006, the monthly dividend yields of the Water Group are shown graphically on Schedule 5. The monthly dividend yields shown on Schedule 5 reflect an adjustment to the month-end prices to reflect the build up of the dividend in the price that has occurred since the last ex-dividend date (i.e., the date by which a shareholder must own the shares to be entitled to the dividend payment – usually about two to three weeks prior to the actual payment). An explanation of this adjustment is provided in Appendix D.

For the twelve months ending September 2006, the average dividend yield was 2.59% for the Water Group based upon a calculation using annualized dividend payments and adjusted month-end stock prices. The dividend yields for the more recent six- and three- month periods were 2.62% and 2.62%, respectively. I have used, for the purpose of my direct testimony, a dividend yield of 2.62% for the Water Group, which represents the six-month average yield. The use of this dividend yield will reflect current capital costs while avoiding spot yields.

For the purpose of a DCF calculation, the average dividend yields must be adjusted to reflect the prospective nature of the dividend payments i.e., the higher expected dividends for the future. Recall that the DCF is an expectational model that must reflect investor anticipated cash flows for the Water Group. I have adjusted the six-month average dividend yield in three different but generally accepted manners, and used the average of the three adjusted values as calculated in Appendix D. That adjusted dividend yield is 2.71% for the Water Group.

Q. Please explain the underlying factors that influence investor's growth expectations.

A. As noted previously, investors are interested principally in the future growth of its investment (i.e., the price per share of the stock). As I explain in Appendix D, future earnings per share growth represents its primary focus because under the constant price-earnings multiple assumption of the DCF model, the price per share of stock will grow at the same rate as earnings per share. In conducting a growth rate analysis, a wide variety of variables can be considered when reaching a consensus of prospective growth. The variables that can be considered include: earnings, dividends, book value, and cash flow stated on a per share basis. Historical values for these variables can be considered, as well as analysts' forecasts that are widely available to investors. A fundamental growth rate analysis can also be formulated, which consists of internal growth ("b x r"), where "r" represents the expected rate of return on common equity and "b" is the retention rate that consists of the fraction of earnings that are not paid out as dividends. The internal growth rate can be modified to account for sales of new common stock -- this is called external growth ("s x v"), where "s" represents the new common shares expected to be issued by a firm and "v" represents the value that accrues to existing shareholders from selling stock at a price different from book value. Fundamental growth, which combines internal and external growth, provides an explanation of the factors that cause book value per share to grow over time. Hence, a fundamental growth rate analysis is duplicative of expected book value per share growth.

Growth can also be expressed in multiple stages. This expression of growth consists of an initial "growth" stage where a firm enjoys rapidly expanding markets, high profit margins, and abnormally high growth in earnings per share. Thereafter, a firm enters a "transition" stage where fewer technological advances and increased product saturation begins to reduce the growth rate and profit margins come under pressure. During the "transition" phase, investment opportunities begin to mature, capital requirements decline, and a firm begins to pay out a larger percentage of earnings to shareholders. Finally, the mature or "steady-state" stage is reached when a firm's earnings growth, payout ratio, and return on equity stabilizes at levels where they remain for the life of a firm. The three stages of growth assume a step-down of high initial growth to lower sustainable growth. Even if these three stages of growth can be envisioned for a firm, the third "steady-state" growth stage, which is assumed to remain fixed in perpetuity, represents an unrealistic expectation because the three stages of growth can be repeated. That is to say, the stages can be repeated where growth for a firm ramps-up and ramps-down in cycles over time.

Q. What investor-expected growth rate is appropriate in a DCF calculation?

A. Investors consider both company-specific variables and overall market sentiment (i.e., level of inflation rates, interest rates, economic conditions, etc.) when balancing its capital gains expectations with its dividend yield requirements. I follow an approach that is not rigidly formatted because investors are not influenced by a single set of company-specific variables weighted in a formulaic manner. Therefore, in my opinion, all relevant growth rate indicators using a variety of techniques must be evaluated when formulating a judgment of investor expected growth.

Q. Before presenting your analysis of the growth rates that apply specifically to the Water Group, can you provide an overview of the macroeconomic factors that influence investor growth expectations for common stocks?

A. Yes. As a preliminary matter, it is useful to view macroeconomic forecasts that influence stock prices. Forecast growth of the Gross Domestic Product ("GDP") can represent the starting point for this analysis. The GDP has both "product side" and "income side" components. The product side of the GDP is comprised of: (i) personal consumption expenditures; (ii) gross private domestic investment; (iii) net exports of goods and services; and (iv) government consumption expenditures and gross investment. On the income side of the GDP, the components are: (i) compensation of employees; (ii) proprietors' income; (iii) rental income; (iv) corporate profits; (v) net interest; (vi) business transfer payments; (vii) indirect business taxes; (viii) consumption of fixed capital; (ix) net receipts/payment to the rest of the world; and (x) statistical discrepancy. The "product side," (i.e., demand components) could be used as a long-term representation of revenue growth for public utilities. However, it is well known that revenue growth does not necessarily equal earnings growth. There is no basis to assume that the same growth rate would apply to revenues and all components of the cost of service, especially after the troublesome issues of employees' costs, insurance costs, high fuel costs, and environmental costs are worked-out in the long-term for public utilities. The earnings growth rates for utilities will be substantially affected by fluctuations in operating expenses and capital costs.

The long-term consensus forecast that is published semi-annually by the Blue Chip Economic Indicators ("Blue Chip") should be used as the source of macroeconomic growth. Blue Chip is a monthly publication that provides forecasts incorporating a wide variety of economic variables assembled from a panel of more than 50 noted economists from the banking, investment, industrial, and consulting sectors whose advice affects the investment activities of market participants. It is always preferable to use a consensus forecast taken from a large panel of contributors, rather than to rely upon one source that may not be representative of the types of information that have an impact on investor expectations. Indeed, Blue Chip is frequently quoted in The Wall Street Journal, The New York Times, Fortune, Forbes, and Business Week. Twice annually, Blue Chip provides long-range consensus forecasts. Based upon the October 10, 2006 issue of Blue Chip, those forecasts are:

Blue Chip Economic Indicators

Year	Nominal GDP	Corporate Profits, Pretax
2008	5.2%	5.5%
2009	5.3%	5.3%
2010	5.1%	5.5%
2011	5.1%	5.1%
2012	5.1%	5.7%
Averages		
2008-12	5.2%	5.4%
2013-17	5.1%	5.8%

It is also indicated historically that the percentage change in corporate profits has been higher than the percentage change in GDP.[4]

Q. What company-specific data have you considered in your growth rate analysis?

A. I have considered the growth in the financial variables shown on Schedules 6 and 7. The bar graph provided on Schedule 6 shows the historical growth rates

[4] Obviously, growth in corporate profits are negatively impacted during recessionary periods, but on average corporate profits have grown historically over two percentage points faster than GDP since 1934.

in earnings per share, dividends per share, book value per share, and cash flow per share for the Water Group. The historical growth rates were taken from the Value Line publication that provides these data. As shown on Schedule 6, historical growth in earnings per share was in the range of 1.50% to 7.67% for the Water Group. Negative growth rates reflected in the historical data provide no reliable guide to gauge investor expected growth for the future. Investor expectations encompass long-term positive growth rates and, as such, could not be represented by sustainable negative rates of change. Therefore, statistics that include negative growth rates should not be given any weight when formulating a composite growth rate expectation. The prospect of rate increases granted by regulators, the continued obligation to provide service as required by customers, and the ongoing growth of customers mandate investor expectations of positive future growth rates. Stated simply, there is no reason for investors to expect that a utility will wind up its business and distribute its common equity capital to shareholders, which would be symptomatic of a long-term permanent earnings decline. Although investors have knowledge that negative growth and losses can occur, its expectations include positive growth. Negative historic values will not provide a reasonable representation of future growth expectations because, in the long run, investors will always expect positive growth. Indeed, rational investors expect positive returns, otherwise they will hold cash rather than invest with the expectation of a loss.

Schedule 7 provides projected earnings per share growth rates taken from analysts' forecasts compiled by IBES/First Call, Zacks, and Reuters/Market Guide and from the Value Line publication. IBES/First Call, Zacks, and Reuters/Market Guide represent reliable authorities of projected growth upon which investors rely. The IBES/First Call, Zacks, and Reuters/Market Guide forecasts are limited to earnings per share growth, while Value Line makes projections of other financial variables. The Value Line forecasts of dividends per share, book value per share, and cash flow per share have also been included on Schedule 7 for the Water Group.

Although five-year forecasts usually receive the most attention in the growth analysis for DCF purposes, present market performance has been strongly influenced by short-term earnings forecasts. Each of the major publications provides earnings forecasts for the current and subsequent year. These short-term earnings forecasts receive prominent coverage, and indeed they dominate these publications. While the DCF model typically focuses upon long-run estimates of earnings, stock prices are clearly influenced by current and near-term earnings forecasts.

Q. Is a five-year investment horizon associated with the analysts' forecasts consistent with the DCF model?

A. Yes. In fact, it illustrates that the infinite form of the model contains an unrealistic assumption. Rather than viewing the DCF in the context of an endless stream of growing dividends (e.g., a century of cash flows), the growth in the share value (i.e., capital appreciation, or capital gains yield) is most relevant to investors' total return expectations. Hence, the sale price of a stock can be viewed as a liquidating dividend that can be discounted along with the annual dividend receipts during the investment-holding period to arrive at the investor expected return. The growth in the price per share will equal the growth in earnings per share absent any change in price-earnings (P-E) multiple -- a necessary assumption of the DCF. As such, my company-specific growth analysis, which focuses principally upon five-year forecasts of earnings per share growth, conforms with the type of analysis that influences the total return expectation of investors. Moreover, academic research focuses on five-year growth rates as they influence stock prices. Indeed, if investors really required forecasts which extended beyond five years in order to properly value common stocks, then I am sure that some investment advisory service would begin publishing that information for individual stocks in order to meet the demands of investors. The absence of such a publication signals that investors do not require infinite forecasts in order to purchase and sell stocks in the marketplace.

Q. Are there any other factors that make the results of the DCF model problematic in measuring the cost of equity for water utilities?

A. The results of the DCF model are especially troublesome at this time due to the merger and acquisition ("M&A") activity sweeping the water utility industry. Water companies have become acquisition targets during the process of "rolling-up" the industry. It has been reported that there are approximately 50,000 separate investor-owned and municipal water utility systems in the U.S. There are numerous examples of water utility acquisitions within recent memory. In the last several years, Aquarion purchased the New England properties from American Water Works, Philadelphia Suburban Corporation completed the major acquisition of Consumers Water Company and acquired the AquaSource assets from DQE. American Water Works completed the $700 million acquisition of National Enterprises, Inc. and acquired the water utility and wastewater assets of Citizens Utilities. Yorkshire Water purchased Aquarion; Suez Lyonnaise des Eaux purchased all of the remaining shares of United Water Resources that it did not already own; Thames Water purchased E'Town Corporation; and the German utility RWE AG acquired American Water Works.

These acquisitions were accomplished at premiums offered to induce stockholders to sell their shares -- the Aquarion acquisition was at a 19.3% premium, the UWR acquisition was at a 54% premium, the E'Town Corp. acquisition was at a 36% premium, and the American Water Works acquisition was at a 36.5% premium. These premiums create a ripple effect on the stock prices of all water utilities, just like a rising tide lifts all boats. Due to M&A activity, there has been a significant run-up of the stock prices for the water companies. With these elevated stock prices, dividend yields fall, and without some adjustment to the growth component of the DCF model, the results become unduly depressed by reference to alternative investment opportunities – such as public utility bonds. There are three remedies available to deal with these potentially anomalous DCF results: (i) an adjustment to the DCF model to reflect the divergence of market capitalization and the book value capitalization, (ii) the use of a growth component in the DCF model which is at the high end of the range, and (iii) supplementing the DCF results with other measures of the cost of equity.

Q. What specific evidence have you considered in the DCF growth analysis?

A. As to the five-year forecast growth rates, Schedule 7 indicates that the projected earnings per share growth rates for the Water Group are 7.60% by IBES/First Call, 7.16% by Zacks, 6.69% by Reuters/Market Guide, and 7.08% by Value Line. The Value Line projections indicate that earnings per share for the Water Group will grow prospectively at a more rapid rate (i.e., 7.08%) than the dividends per share (i.e., 5.25%), which indicates a declining dividend payout ratio for the future. As indicated earlier, and in Appendix E, with the constant price-earnings multiple assumption of the DCF model, growth for these companies will occur at the higher earnings per share growth rate, thus producing the capital gains yield expected by investors.

Q. What conclusion have you drawn from these data?

A. Although ideally historical and projected earnings per share and dividends per share growth indicators would be used to provide an assessment of investor growth expectations for a firm, the circumstances of the Water Group mandate that the greater emphasis be placed upon projected earnings per share growth.

The massive restructuring of the utility industry suggests that historical evidence alone does not represent a complete measure of growth for these companies. Rather, projections of future earnings growth provide the principal focus of investor expectations. In this regard, it is worthwhile to note that Professor Myron Gordon, the foremost proponent of the DCF model in rate cases, concluded that the best measure of growth in the DCF model is forecasts of earnings per share growth. Hence, to follow Professor Gordon's findings, projections of earnings per share growth, such as those published by IBES/First Call, Zacks, Reuters/Market Guide, and Value Line, represents a reasonable assessment of investor expectations.

It is appropriate to consider all forecasts of earnings growth rates that are available to investors. In this regard, I have considered the forecasts from IBES/First Call, Zacks, Reuters/Market Guide and Value Line. The IBES/First Call, Zacks, and Reuters/Market Guide growth rates are consensus forecasts taken from a survey of analysts that make projections of growth for these companies. The IBES/First Call, Zacks, and Reuters/Market Guide estimates are obtained from the Internet and are widely available to investors free-of-charge. First Call is probably quoted most frequently in the financial press when reporting on earnings forecasts. The Value Line forecasts are also widely available to investors and can be obtained by subscription or free-of-charge at most public and collegiate libraries.

The forecasts of earnings per share growth as shown on Schedule 7 provide a range of growth rates of 6.69% to 7.60%. To those company-specific growth rates, consideration must be given to long-term growth in corporate profits. While the DCF growth rates cannot be established solely with a mathematical formulation, it is my opinion that an investor-expected growth rate of 7.00% is within the array of earnings per share growth rates shown by the analysts' forecasts and the forecast growth in overall corporate profits. The Value Line forecast of dividend per share growth is inadequate in this regard due to the forecast decline in the dividend payout that I previously described. As previously indicated, the restructuring and consolidation now taking place in the utility industry, will provide additional risks and opportunities as the utility industry successfully adapts to the new business environment. These changes in growth fundamentals will undoubtedly develop beyond the next five years typically considered in the analysts' forecasts that will enhance the growth prospects for the future. As such, a 7.00% growth rate will accommodate all these factors.

Q. Does the sum of the dividend yield and growth rate provide a complete representation of the cost of equity?

A. No.

Q. Please explain why.

A. As demonstrated in Appendix D, the divergence of stock prices from book values creates a conflict when the results of a market-derived cost of equity are applied to the common equity account measured at book value, which is the measure used in calculating the weighted average cost of capital. This is the situation today where the market price of stock exceeds its book value for most utilities. This divergence of price and book value creates a financial risk difference, whereby the capitalization of a utility measured at its market value contains relatively less debt and more equity than the capitalization measured at its book value.

If regulators rely upon the results of the DCF (which are based on the market price of the stock of the companies analyzed) and apply those results to book value, the resulting earnings will not produce the level of required return specified by the model when market prices vary from book value. This is to say, such distortions tend to produce DCF results that understate the cost of equity to the regulated firm when using book values. This shortcoming of the DCF has persuaded one regulatory agency to adjust the cost of equity upward to make the return consistent with the book value capital structure. The Pennsylvania Public Utility Commission in its Order entered December 22, 2004 involving PPL Electric Utilities Corporation at Docket No. R-00049255 acknowledged that an adjustment to the DCF results was required to make the return consistent with the book value capital structure. Similar provisions were made by the Pennsylvania PUC in its decisions dated January 10, 2002 for Pennsylvania-American Water Company at Docket No. R-00016339; dated August 1, 2002 for Philadelphia Suburban Water Company in Docket No. R-00016750; dated

January 29, 2004 for Pennsylvania American Water Company at Docket No. R-00038304 (affirmed by the Commonwealth Court on November 8, 2004); and dated August 5, 2004 for Aqua Pennsylvania, Inc. at Docket No. R-00038805. It must be recognized that in order to make the DCF results relevant to the capitalization measured at book value (as is done for rate setting purposes), the market-derived cost rate cannot be used without modification. As I will explain later in my testimony, the DCF model can be modified to account for differences in risk attributed to changes in financial leverage when market prices and book values diverge.

Q. Is your leverage adjustment dependent upon the market valuation or book valuation from an investor's perspective?

A. The only perspective that is important to investors is the return that they can realize on the market value of their investment. As I have measured the DCF, the simple yield (D/P) plus growth (g) provides a return applicable strictly to the price (P) that an investor is willing to pay for a share of stock. The DCF formula is derived from the standard valuation model: P = D/ (k-g), where P = price, D = dividend, k = the cost of equity, and g = growth in cash flows. By rearranging the terms, we obtain the familiar DCF equation: k= D/P+g. All of the terms in the DCF equation represent investors' assessment of expected future cash flows that they will receive in relation to the value that they set for a share of stock (P). The need for the leverage adjustment arises when the results of the DCF model (k) are to be applied to a capital structure that is different than indicated by the market price (P). From the market perspective, the financial risk of the Water Group is accurately measured by the capital structure ratios calculated from the market capitalization of a firm. If the ratesetting process utilized the market capitalization ratios, then no additional analysis or adjustment would be required because the simple yield (D/P) plus growth (g) components of the DCF would satisfy the financial risk associated with the market value of the capitalization. Since the ratesetting process uses a different set of capital structure ratios calculated from the book value capitalization, then further analysis is required to synchronize the financial risk of the book capitalization with the required return on the book value of the equity. This adjustment is developed through precise mathematical calculations, using well recognized analytical procedures that are widely accepted in the financial literature.

Q. Are there specific factors that influence market-to-book ratios that determine whether the leverage adjustment should be made?

A. No. My leverage adjustment is not intended, nor was it designed, to address the reasons that stock prices vary from book value. Hence, any observations concerning market prices relative to book are not on point. My leverage adjustment deals with the issue of financial risk and is not intended to transform the DCF result to a book value return through a market-to-book adjustment.

Further, as noted previously, the high market prices of water utility stocks cannot be attributed solely to the notion that these companies are expected to earn a return on equity that exceeds its cost of equity. Stock prices above book value are common for utility stocks, and indeed non-regulated stock prices exceed book values by even greater margins. In this regard, according to the Barron's issue of October 16, 2006, the major market indices' market-to-book ratios are well above unity. Utility stocks trade at a multiple of 2.50 times book value which is below the market multiple of other indices. For example, the S&P 500 index trades 3.29 times book value, the S&P Industrial index is at 3.79 times book value, and the Dow Jones Industrial index is at 3.41 times book value. It is difficult to accept that the vast majority of all firms operating in our economy are generating returns far in excess of its cost of capital. Certainly, in our free-market economy, competition should contain such "excesses" if they indeed exist.

Finally, the leverage adjustment adds stability to the final DCF cost rate. That is to say, as the market capitalization increases relative to its book value, the leverage adjustment increases while the simple yield (D/P) plus growth (g) result declines. The reverse is also true that when the market capitalization declines, the leverage adjustment also declines as the simple yield (D/P) plus growth (g) result increases.

Q. What are the implications of a DCF derived return that is related to market value when the results are applied to the book value of a utility's capitalization?

A. The capital structure ratios measured at the utility's book value show more financial leverage, and hence higher risk, than the capitalization measured at its market values. Please refer to Appendix E for the comparison. This means that a market-derived cost of equity, using models such as DCF and CAPM, reflects a level of financial risk that is different from that shown by the book value capitalization. Hence, it is necessary to adjust the market-determined cost of equity upward to reflect the higher financial risk related to the book value capitalization used for ratesetting purposes. Failure to make this modification would result in a mismatch of the lower financial risk related to market value used to measure the cost of equity and the higher financial risk of the book value capital structure used in the ratesetting process. That is to say, the cost of equity for the Water Group that is related to the 50.67% common equity ratio using book value has higher financial risk than the 70.07% common equity ratio using market values. Because the ratesetting process utilizes the book value capitalization, it is necessary to adjust the market-determined cost of equity for the higher financial risk related to the book value of the capitalization.

Q. How is the DCF-determined cost of equity adjusted for the financial risk associated with the book value of the capitalization?

A. In pioneering work, Nobel laureates Modigliani and Miller developed several theories about the role of leverage in a firm's capital structure. As part of that work, Modigliani and Miller established that as the borrowing of a firm increases, the expected return on stockholders' equity also increases. This principle is incorporated into my leverage adjustment which recognizes that the expected return on equity increases to reflect the increased risk associated with the higher financial leverage shown by the book value capital structure, as compared to the market value capital structure that contains lower financial risk. Modigliani and Miller proposed several approaches to quantify the equity return associated with various degrees of debt leverage in a firm's capital structure. These formulas point toward an increase in the equity return associated with the higher financial risk of the book value capital structure. As detailed in Appendix E, the Modigliani and Miller theory shows that the cost of equity increases by 0.95% (10.66% - 9.71%) when the book value of equity, rather than the market value of equity, is used for ratesetting purposes.

Q. Please provide the DCF return based upon your preceding discussion of dividend yield, growth, and leverage.

A. As explained previously, I have utilized a six-month average dividend yield ("D_1 /P_0") adjusted in a forward-looking manner for my DCF calculation. This dividend yield is used in conjunction with the growth rate ("g ") previously developed. The DCF also includes the leverage modification ("lev.") required when the book value equity ratio is used in determining the weighted average cost of capital in the ratesetting process rather than the market value equity ratio related to the price of stock. The cost of equity must also include an adjustment to cover flotation costs ("flot.").

Q. What DCF cost rate have you calculated?

A. The resulting DCF cost rate is:

	D_1/P_0	+	g	+	$kv.$	=	k	x	$flot.$	=	K
Water Group	2.71%	+	7.00%	+	0.95%	=	10.66%	x	1.02	=	10.87%

As indicated by the DCF result shown above, the flotation cost adjustment adds 0.21% (10.87% - 10.66%) to the rate of return on common equity for the Water Group. In my opinion, this adjustment is reasonable for reasons explained in Appendix F. The DCF result shown above represents the simplified (i.e., Gordon) form of the model that contains a constant growth assumption. I should reiterate, however, that the DCF indicated cost rate provides an explanation of the rate of return on common stock market prices without regard to the prospect of a change in the price-earnings multiple. An assumption that there will be no change in the price-earnings multiple is not supported by the realities of the equity market because price-earnings multiples do not remain constant.

RISK PREMIUM ANALYSIS

Q. Please describe your use of the Risk Premium approach to determine the cost of equity.

A. The details of my use of the Risk Premium approach and the evidence in support of my conclusions are set forth in Appendix H. I will summarize them here. With this method, the cost of equity capital is determined by corporate bond yields plus a premium to account for the fact that common equity is exposed to greater investment risk than debt capital.

Q. What long-term public utility debt cost rate did you use in your risk premium analysis?

A. In my opinion, a 6.25% yield represents a reasonable estimate of the prospective yield on long-term A-rated public utility bonds. As I will subsequently show, the Moody's index and the Blue Chip forecasts support this figure.

The historical yields for long-term public utility debt are shown graphically on page 1 of Schedule 9. For the twelve months ended August 2006, the average monthly yield on Moody's A-rated index of public utility bonds was 6.02%. For the six and three-month periods ending August 2006, the yields were 6.28% and 6.32%, respectively.

Q. What are the implications of emphasizing recent data taken from a period of relatively low interest rates?

A. When interest rates rise from their current low levels, the overall cost of capital and cost of equity determined from recent data will understate future capital costs. Although it is always possible that interest rates could move lower, this possibility is out-weighed by the prospect of higher future interest rates. That is to say, there is more potential for higher rather than lower interest rates when the beginning point in the process contains low interest rates.

The low interest rates in 2003-'04 were, in part, the product of the Federal Open Market Committee ("FOMC") policy, which has changed. Indeed, on June 30, 2004, August 10, 2004, September 21, 2004, November 10, 2004, December 14, 2004, February 2, 2005, March 22, 2005, May 3, 2005, June 30, 2005, August 9, 2005, September 20, 2005, November 1, 2005, December 13, 2005, January 31, 2006, March 28, 2006, May 10, 2006, and June 29, 2006, the FOMC increased the Fed Funds rate in seventeen 25 basis point increments. These policy actions, which have brought the Fed Funds rate to 5.25%, are widely interpreted as part of the process of moving toward a more neutral range for monetary policy.

Q. What forecasts of interest rates have you considered in your analysis?

A. I have determined the prospective yield on A-rated public utility debt by using the <u>Blue Chip Financial Forecasts</u> ("<u>Blue Chip</u>") along with the spread in the yields that I describe above and in Appendix G. The <u>Blue Chip</u> is a reliable authority and contains consensus forecasts of a variety of interest rates compiled from a panel of banking, brokerage, and investment advisory services. In early 1999, <u>Blue Chip</u> stopped publishing forecasts of yields on A-rated public utility bonds because the Federal Reserve deleted these yields from its Statistical Release H.15. To independently project a forecast of the yields on A-rated public utility bonds, I have combined the forecast yields on long-term Treasury bonds published on October 1, 2006, and the yield spread of 1.00% that I describe in Appendix G and Schedule 9. For comparative purposes, I have also shown the yield on Aaa-rated and Baa-rated corporate bonds. These forecasts are:

		Blue Chip Financial Forecasts				
		Corporate		30-Year	A-rated Public Utility	
Year	Quarter	Aaa-rated	Baa-rated	Treasury	Spread	Yield
2006	Fourth	5.7%	6.6%	4.9%	1.0%	5.9%
2007	First	5.8%	6.7%	5.0%	1.0%	6.0%
2007	Second	5.9%	6.8%	5.0%	1.0%	6.0%
2007	Third	5.9%	6.8%	5.0%	1.0%	6.0%
2007	Fourth	5.9%	6.8%	5.1%	1.0%	6.1%
2008	First	6.0%	6.9%	5.1%	1.0%	6.1%

Q. Are there additional forecasts of interest rates that extend beyond those shown above?

A. Yes. Twice yearly, Blue Chip provides long-term forecasts of interest rates. In its June 1, 2006 publication, the Blue Chip published forecasts of interest rates are reported to be:

	Blue Chip Financial Forecasts				
	Corporate		30-Year	A-rated Public Utility	
Year	Aaa-rated	Baa-rated	Treasury	Spread	Yield
2007	6.4%	7.2%	5.5%	1.0%	6.5%
2008	6.3%	7.2%	5.5%	1.0%	6.5%
2009	6.3%	7.2%	5.5%	1.0%	6.5%
2010	6.2%	7.0%	5.3%	1.0%	6.3%
2011	6.3%	7.2%	5.4%	1.0%	6.4%
Averages					
2007-11	6.3%	7.2%	5.4%	1.0%	6.4%
2012-16	6.5%	7.3%	5.6%	1.0%	6.6%

Given these forecast interest rates, a 6.25% yield on A-rated public utility bonds represents a reasonable expectation.

Q. What equity risk premium have you determined for public utilities?

A. Appendix G provides a discussion of the financial returns that I relied upon to develop the appropriate equity risk premium for the S&P Public Utilities. I have calculated the equity risk premium by comparing the market returns on utility stocks and the market returns on utility bonds. I chose the S&P Public Utility index for the purpose of measuring the market returns for utility stocks because it is intended to represent firms engaged in regulated activities and today is comprised of electric companies and Water companies. The S&P Public Utility index is more closely aligned with these groups than some broader market indexes, such as the S&P 500 Composite index. The S&P Public Utility index is a subset of the overall S&P 500 Composite index. Use of the S&P Public Utility index reduces the role of judgment in establishing the risk premium for public utilities. With the equity risk premiums developed for the S&P Public Utilities as a base, I derived the equity risk premium for the Water Group.

Q. What equity risk premium for the S&P Public Utilities have you determined for this case?

A. To develop an appropriate risk premium, I analyzed the results for the S&P Public Utilities by averaging (i) the midpoint of the range shown by the geometric mean and median and (ii) the arithmetic mean. This procedure has been employed to provide a comprehensive way of measuring the central tendency of the historical returns. As shown by the values set forth on page 2 of Schedule 10, the indicated risk premiums for the various time periods analyzed are 5.17% (1928-2005), 6.05% (1952-2005), 5.19% (1974-2005), and 5.20% (1979-2005). The selection of the shorter periods taken from the entire historical series is designed to provide a risk premium that conforms more nearly to present investment fundamentals and removes some of the more distant data from the analysis.

Q. Do you have further support for the selection of the time periods used in your equity risk premium determination?

A. Yes. First, the terminal year of my analysis presented in Schedule 10 represents the returns realized through 2005. Second, the selection of the initial year of each period was based upon the events that I described in Appendix H. These events were fixed in history and cannot be manipulated as later financial data becomes available. That is to say, using the Treasury-Federal Reserve Accord as a defining event, the year 1952 is fixed as the beginning point for the measurement period regardless of the financial results that subsequently occurred. Likewise, 1974 represented a benchmark year because it followed the 1973 Arab Oil embargo. Also, the year 1979 was chosen because it began the deregulation of the financial markets. As such, additional data are merely added to the earlier results when they become available, clearly showing that the periods chosen were not driven by the desired results of the study.

Q. What conclusions have you drawn from these data?

A. Using the summary values provided on page 2 of Schedule 10, the 1928-2005 period provides the lowest indicated risk premium, while the 1952-2005 period provides the highest risk premium for the S&P Public Utilities. Within these bounds, a common equity risk premium of 5.20% (5.19% + 5.20% = 10.39% ÷ 2) is shown from data covering the periods 1974-2005 and 1979-2005. Therefore, 5.20% represents a reasonable risk premium for the S&P Public Utilities in this case. As noted earlier in my fundamental risk analysis, differences in risk characteristics must be taken into account when applying the results for the S&P Public Utilities to the Water Group. I recognized these differences in the development of the equity risk premium in this case. I previously enumerated various differences in fundamentals between the Water Group and the S&P Public Utilities, including size, market ratios, common equity ratio, return on book equity, operating ratios, coverage, quality of earnings, internally generated funds, and betas. In my opinion, these differences indicate that 5.00% represents a reasonable common equity risk premium in this case. This represents approximately 96% (5.00% ÷ 5.20% = 0.96) of the risk premium of the S&P Public Utilities and is reflective of the risk of the Water Group compared to the S&P Public Utilities.

Q. What common equity cost rate would be appropriate using this equity risk

premium and the yield on long-term public utility debt?

A. The cost of equity (i.e., "k") is represented by the sum of the prospective yield for long-term public utility debt (i.e., "i") and the equity risk premium (i.e., "RP"). To that cost must be added an adjustment for common stock financing costs ("flot."). The Risk Premium approach provides a cost of equity of:

	i	+	*RP*	=	*k*	+	*flot.*	=	*K*
Water Group	6.25%	+	5.00%	=	11.25%	+	0.21%	=	11.46%

CAPITAL ASSET PRICING MODEL

Q. How have you used the Capital Asset Pricing Model to measure the cost of equity in this case?

A. I have used the Capital Asset Pricing Model ("CAPM") in addition to my other methods. As with other models of the cost of equity, the CAPM contains a variety of assumptions that I discuss in Appendix H. Therefore, this method should be used with other methods to measure the cost of equity, as each will complement the other and will provide a result that will alleviate the unavoidable shortcomings found in each method.

Q. What are the features of the CAPM as you have used it?

A. The CAPM uses the yield on a risk-free interest bearing obligation plus a rate of return premium that is proportional to the systematic risk of an investment. The details of my use of the CAPM and evidence in support of my conclusions are set forth in Appendix H. To compute the cost of equity with the CAPM, three components are necessary: a risk-free rate of return ("Rf"), the beta measure of systematic risk ("β"), and the market risk premium ("Rm-Rf") derived from the total return on the market of equities reduced by the risk-free rate of return. The CAPM specifically accounts for differences in systematic risk (i.e., market risk as measured by the beta) between an individual firm or group of firms and the entire market of equities. As such, to calculate the CAPM it is necessary to employ firms with traded stocks. In this regard, I performed a CAPM calculation for the Water Group. In contrast, my Risk Premium approach also considers industry- and company-specific factors because it is not limited to measuring just systematic risk. As a consequence, the Risk Premium approach is more comprehensive than the CAPM. In addition, the Risk Premium approach provides a better measure of the cost of equity because it is founded upon the yields on corporate bonds rather than Treasury bonds.

Q. What betas have you considered in the CAPM?

A. For my CAPM analysis, I initially considered the Value Line betas. As shown on page 1 of Schedule 11, the average beta is .73 for the Water Group.

Q. What betas have you used in the CAPM determined cost of equity?

A. The betas must be reflective of the financial risk associated with the ratesetting capital structure that is measured at book value. Therefore, Value Line betas cannot be used directly in the CAPM unless those betas are applied to a capital structure measured with market values. To develop a CAPM cost rate applicable to a book value capital structure, the Value Line betas have been unleveraged and releveraged for the common equity ratios using book values. This adjustment has been made with the formula:

$$\beta l = \beta u\ [1 + (1 - t)\ D/E + P/E]$$

where ßl = the leveraged beta, ßu = the unleveraged beta, t = income tax rate, D = debt ratio, P = preferred stock ratio, and E = common equity ratio. The betas published by Value Line have been calculated with the market price of stock and therefore are related to the market value capitalization. By using the formula shown above and the capital structure ratios measured at its market values, the beta would become .57 for the Water Group if it employed no leverage and was 100% equity financed. With the unleveraged beta as a base, I calculated the leveraged beta of .93 for the Water Group associated with book value capital structure.

Q. What risk-free rate have you used in the CAPM?

A. For reasons explained in Appendix F, I have employed the yields on 20-year Treasury bonds using both historical and forecast data to match the longer-term horizon associated with the ratesetting process. As shown on pages 2 and 3 of Schedule 11, I provided the historical yields on Treasury notes and bonds. For the twelve months ended September 2006, the average yield was 4.98%, as shown on page 3 of that schedule. For the six- and three-months ended September 2006, the yields on 20-year Treasury bonds were 5.19% and 5.09%, respectively. As shown on page 4 of Schedule 11, forecasts published by Blue Chip on October 1, 2006 indicate that the yields on long-term Treasury bonds are expected to be in the range of 4.9% to 5.1% during the next six quarters. The longer term forecasts described previously show that the yields on Treasury bonds will average 5.4% from 2007 through 2011 and 5.6% from 2012 to 2016. For reasons explained previously, forecasts of interest rates should be emphasized at this time. Hence, I have used a 5.25% risk-free rate of return for CAPM purposes.

Q. What market premium have you used in the CAPM?

A. As developed in Appendix I, the market premium is developed by averaging historical market performance (i.e., 6.5%) and the forecasts (i.e., 7.21%). For the historically based market premium, I have used the arithmetic mean. I am aware that the Commission has expressed its preference for considering both the arithmetic mean and the geometric mean. So if that approach is to be taken, much more weight should be placed on the arithmetic mean because it is the correct measure in the single-period model specification of the CAPM. The resulting market premium is 6.86% (6.5% + 7.21% = 13.71% ÷ 2), which represents the average market premium using historical and forecast data.

Q. Are there adjustments to the CAPM results that are necessary to fully reflect the rate of return on common equity?

A. Yes. The technical literature supports an adjustment relating to the size of the company or portfolio for which the calculation is performed. There would be an understatement of a firm's cost of equity with the CAPM unless the size of a firm is considered. That is to say, as the size of a firm decreases, its risk, and hence its required return increases. Moreover, in his discussion of the cost of capital, Professor Brigham has indicated that smaller firms have higher capital costs then otherwise similar larger firms (see Fundamentals of Financial Management, fifth edition, page 623). Also, the Fama/French study (see "The Cross-Section of Expected Stock Returns"; The Journal of Finance, June 1992) established that size of a firm helps explain stock returns. In an October 15, 1995 article in Public Utility Fortnightly, entitled "Equity and the Small-Stock Effect," it was demonstrated that the CAPM could understate the cost of equity significantly according to a company's size. Indeed, it was demonstrated in the SBBI Yearbook that the returns for stocks in lower deciles (i.e., smaller stocks) had returns in excess of those shown by the simple CAPM. In this regard, Water Group has an average market capitalization of its equity of $757 million, which would make them a low cap portfolio. The low market capitalization would indicate a size premium of 1.81% while the madcap size adjustment is 1.02%. Absent such an adjustment, the CAPM would understate the required return. My size adjustment is very conservative because the market capitalization of the

Water Group would justify the larger low cap adjustment, but to be conservative, I have used the smaller mid-cap adjustment of 1.02%.

Q. What CAPM result have you determined using the CAPM?

A. Using the 5.25% risk-free rate of return, the leverage adjusted beta of .93 for the Water Group, the 6.86% market premium, the size adjustment, and the flotation cost adjustment developed previously, the following result is indicated.

	Rf	+	*ß*	x (	*Rm-Rf*	) +	*size*	=	*k*	+	*flot.*	=	*K*
Water Group	5.25%	+	0.93	x (	6.86%	) +	1.02%	=	12.65%	+	0.21%	=	12.86%

COMPARABLE EARNINGS APPROACH

Q. How have you applied the Comparable Earnings approach in this case?

A. The technical aspects of my Comparable Earnings approach are set forth in Appendix I. In order to identify the appropriate return on equity for a public utility, it is necessary to analyze returns experienced by other firms within the context of the Comparable Earnings standard. The firms selected for the Comparable Earnings approach should be companies whose prices are not subject to cost-based price ceilings (i.e., non-regulated firms) so that circularity is avoided. To avoid circularity, it is essential that returns achieved under regulation not provide the basis for a regulated return. Because regulated firms must compete with non-regulated firms in the capital markets, it is appropriate to view the returns experienced by firms which operate in competitive markets. One must keep in mind that the rates of return for non-regulated firms represent results on book value actually achieved, or expected to be achieved, because the starting point of the calculation is the actual experience of companies that are not subject to rate regulation. The United States Supreme Court has held that:

> A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties.... The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. Bluefield Water Works vs. Public Service Commission, 262 U.S. 668 (1923).

Therefore, it is important to identify the returns earned by firms that compete for capital with a public utility. This can be accomplished by analyzing the returns of non-regulated firms that are subject to the competitive forces of the marketplace.

There are two avenues available to implement the Comparable Earnings approach. One method would involve the selection of another industry (or industries) with comparable risks to the public utility in question, and the results for all companies within that industry would serve as a benchmark. The second approach requires the selection of parameters that represent similar risk traits for the public utility and the comparable risk companies. Using this approach, the business lines of the comparable companies become unimportant. The latter approach is preferable with the further qualification that the comparable risk companies exclude regulated firms. As such, this approach to Comparable Earnings avoids the circular reasoning implicit in the use of the achieved earnings/book ratios of other regulated firms. Rather, it provides an indication of an earnings rate derived from non-regulated companies that are subject to competition in the marketplace and not rate regulation. Because, regulation is a substitute for competitively-determined prices, the returns realized by non-regulated firms with comparable risks to a public utility provide useful insight into a fair rate of return. This is because returns realized by non-regulated firms have become increasingly relevant with the current risk profile of the public utility business. Moreover, the rate of return for a regulated public utility must be competitive with returns available on investments in other enterprises having corresponding risks, especially in a more global economy.

To identify the comparable risk companies, the Value Line Investment Survey for Windows was used to screen for firms of comparable risks. The Value Line Investment Survey for Windows includes data on approximately 1700 firms. Excluded from the selection process were companies incorporated in foreign countries and master limited partnerships (MLPs).

Q. How have you implemented the Comparable Earnings approach?

A. In order to implement the Comparable Earnings approach, non-regulated companies were selected from the Value Line Investment Survey for Windows that have six categories (see Appendix I for definitions) of comparability designed to reflect the risk of the Water Group. These screening criteria were based upon the range as defined by the rankings of the companies in the Water Group. The items considered were: Timeliness Rank, Safety Rank, Financial Strength, Price Stability, Value Line betas, and Technical Rank. The identities of companies comprising the Comparable Earnings group and its associated rankings within the ranges are identified on page 1 of Schedule 12.

Value Line data was relied upon because it provides a comprehensive basis for evaluating the risks of the comparable firms. As to the returns calculated by Value Line for these companies, there is some downward bias in the figures shown on page 2 of Schedule 12 because Value Line computes the returns on year-end rather than average book value. If average book values had been employed, the rates of return would have been slightly higher. Nevertheless, these are the returns considered by investors when taking positions in these stocks. Finally, because many of the comparability factors, as well as the published returns, are used by investors for selecting stocks, and to the extent that investors rely on the Value Line service to gauge its returns, it is, therefore, an appropriate database for measuring comparable return opportunities.

Q. What data have you used in your Comparable Earnings analysis?

A. I have used both historical realized returns and forecast returns for non-utility companies. As noted previously, I have not used returns for utility companies so as to avoid the circularity that arises from using regulatory influenced returns to determine a regulated return. It is appropriate to consider a relatively long measurement period in the Comparable Earnings approach in order to cover conditions over an entire business cycle. A ten-year period (5 historical years and 5 projected years) is sufficient to cover an average business cycle. Unlike the DCF and CAPM, the results of the Comparable Earnings method can be applied directly to the book value capitalization because the nature of the analysis relates to book value. Hence, Comparable Earnings does not contain the potential misspecification contained in market models when the market capitalization and book value capitalization diverge significantly. The historical rate of return on book common equity was 15.8% using the median value as shown on page 2 of Schedule 12. The forecast rates of return as published by Value Line are shown by the 13.3% median values also provided on page 2 of Schedule 12.

Q. What rate of return on common equity have you determined in this case using the Comparable Earnings approach?

A. The average of the historical and forecast median rates of return is:

	Historical	*Forecast*	*Average*
Comparable Earnings Group	15.80%	13.30%	14.55%

CONCLUSION ON COST OF EQUITY

Q. What is your conclusion concerning the Company's cost of common equity?

A. Based upon the application of a variety of methods and models described previously, it is my opinion that the reasonable cost of common equity is within the range of 11.25% to 11.75% for the Company. It is essential that the Commission employ a variety of techniques to measure the Company's cost of equity because of the limitations/infirmities that are inherent in each method.

Q. Does this conclude your prepared direct testimony?

A. Yes.

INDIANA-AMERICAN WATER COMPANY

IURC CAUSE NO. ______

FINANCIAL EXHIBIT

TO ACCOMPANY THE

DIRECT TESTIMONY

OF

PAUL R. MOUL

Indiana-American Water Company
Index of Schedules

Indiana-American Water Company
Rate of Return Applicable to an Original Cost Rate Base
For the Test Year Ending June 30, 2006

Investor Provided Capital	Ratios	Cost Rate	Weighted Cost Rate
Long-Term Debt	54.59%	6.79%	3.71%
Preferred stock	0.07%	6.00%	0.00%
Common Equity	45.34%	11.50%	5.21%
Total	100.00%		8.92%

Indicated levels of fixed charge coverage assuming that the Company could actually achieve its overall cost of capital:

Pre-tax coverage of interest expense based upon a 40.525% composite federal and state income tax rate (12.47% ÷ 3.71%)	3.36 x
Post-tax coverage of interest expense (8.92% ÷ 3.71%)	2.40 x

For Ratesetting Purposes	Ratios	Cost Rate	Weighted Cost Rate
Long-Term Debt	47.99%	6.79%	3.26%
Preferred stock	0.06%	6.00%	0.00%
Common Equity	39.86%	11.50%	4.58%
Cost-free Capital	11.67%	0.00%	0.00%
JDITC	0.42%	8.92%•	0.04%
Total	100.00%		7.88%

Indiana-American Water Company
Capitalization and Financial Statistics
2001-2005, Inclusive

	2005	2004	2003	2002	2001	Average
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	$ 456.4	$ 456.8	$ 457.9	$ 436.3	$ 401.3	
Short-Term Debt	$ -	$ -	$ -	$ 12.0	$ 24.3	
Total Capital	$ 456.4	$ 456.8	$ 457.9	$ 448.2	$ 425.5	
Capital Structure Ratios						
Based on Permanent Capital:						
Long-Term Debt	55.9%	56.1%	56.2%	57.5%	55.9%	56.3%
Preferred Stock	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%
Common Equity [1]	44.1%	43.9%	43.7%	42.4%	44.0%	43.6%
	100.0%	100.1%	100.0%	100.0%	100.0%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	55.9%	56.1%	56.2%	58.6%	58.4%	57.0%
Preferred Stock	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%
Common Equity [1]	44.1%	43.9%	43.7%	41.3%	41.5%	42.9%
	100.0%	100.1%	100.0%	100.0%	100.0%	100.0%
Rate of Return on Book Common Equity [1]	6.7%	8.4%	10.2%	8.1%	9.8%	8.6%
Operating Ratio [2]	74.9%	66.7%	63.6%	68.9%	64.4%	67.7%
Coverage incl. AFUDC [3]						
Pre-tax: All Interest Charges	2.30 x	2.64 x	2.88 x	2.37 x	2.65 x	2.57 x
Post-tax: All Interest Charges	1.78 x	1.97 x	2.12 x	1.86 x	2.03 x	1.95 x
Overall Coverage: All Int. & Pfd. Div.	1.78 x	1.97 x	2.12 x	1.85 x	2.03 x	1.95 x
Coverage excl. AFUDC [3]						
Pre-tax: All Interest Charges	2.26 x	2.61 x	2.69 x	2.11 x	2.53 x	2.44 x
Post-tax: All Interest Charges	1.73 x	1.94 x	1.93 x	1.59 x	1.91 x	1.82 x
Overall Coverage: All Int. & Pfd. Div.	1.73 x	1.94 x	1.92 x	1.59 x	1.91 x	1.82 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	6.2%	3.2%	17.5%	31.2%	11.6%	13.9%
Effective Income Tax Rate	40.4%	40.6%	40.3%	37.6%	37.7%	39.3%
Internal Cash Generation/Construction [4]	79.1%	100.0%	90.7%	65.1%	44.4%	75.9%
Gross Cash Flow/ Avg. Total Debt [5]	17.6%	20.5%	17.7%	15.8%	14.3%	17.2%
Gross Cash Flow Interest Coverage [6]	3.56 x	4.01 x	3.54 x	3.21 x	2.96 x	3.46 x
Common Dividend Coverage [7]	3.54 x	3.18 x	3.93 x	3.09 x	2.56 x	3.26 x

See Page 2 for Notes.

Indiana-American Water Company
Capitalization and Financial Statistics
2001-2005, Inclusive

Notes:

(1) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account.

(2) Total operating expenses, maintenance, depreciation and taxes other than income as a percentage of operating revenues.

(3) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.

(4) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally generated funds from operations after payment of all cash dividends.

(5) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less AFUDC) as a percentage of average total debt.

(6) Gross Cash Flow plus interest charges divided by interest charges.

(7) Common dividend coverage is the relationship of internally generated funds from operations after payment of preferred stock dividends to common dividends paid.

Source of Information: Company's certified annual reports

Water Group
Capitalization and Financial Statistics [1]
2001-2005, Inclusive

	2005	2004	2003	2002	2001	
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	$ 493.1	$ 458.7	$ 402.4	$ 351.5	$ 326.7	
Short-Term Debt	$ 22.7	$ 18.3	$ 23.5	$ 28.2	$ 22.5	
Total Capital	$ 515.8	$ 477.0	$ 425.9	$ 379.7	$ 349.2	
Market-Based Financial Ratios						Average
Earnings/Price Ratio	26 x	26 x	24 x	22 x	21 x	24 x
Market/Book Ratio	247.6%	231.1%	230.5%	230.9%	228.7%	233.8%
Dividend Yield	2.7%	3.0%	3.1%	3.2%	3.3%	3.1%
Dividend Payout Ratio	69.6%	71.2%	75.1%	68.9%	71.1%	71.2%
Capital Structure Ratios						
Based on Permanent Capital:						
Long-Term Debt	49.2%	49.0%	49.4%	50.9%	50.9%	49.9%
Preferred Stock	0.4%	0.4%	0.6%	0.6%	0.7%	0.5%
Common Equity [2]	50.5%	50.6%	50.0%	48.5%	48.4%	49.6%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	50.6%	50.3%	52.0%	53.7%	53.1%	51.9%
Preferred Stock	0.4%	0.4%	0.5%	0.6%	0.7%	0.5%
Common Equity [2]	49.1%	49.2%	47.5%	45.8%	46.3%	47.6%
	100.1%	100.0%	100.0%	100.1%	100.0%	100.0%
Rate of Return on Book Common Equity [2]	9.6%	9.7%	10.0%	10.7%	10.9%	10.2%
Operating Ratio [3]	73.3%	74.9%	74.4%	72.7%	72.3%	73.5%
Coverage incl. AFUDC [4]						
Pre-tax: All Interest Charges	3.63 x	3.38 x	3.21 x	3.29 x	3.26 x	3.35 x
Post-tax: All Interest Charges	2.62 x	2.54 x	2.45 x	2.45 x	2.44 x	2.50 x
Overall Coverage: All Int. & Pfd. Div.	2.60 x	2.52 x	2.43 x	2.43 x	2.42 x	2.48 x
Coverage excl. AFUDC [4]						
Pre-tax: All Interest Charges	3.57 x	3.28 x	3.14 x	3.24 x	3.20 x	3.29 x
Post-tax: All Interest Charges	2.55 x	2.45 x	2.38 x	2.40 x	2.38 x	2.43 x
Overall Coverage: All Int. & Pfd. Div.	2.54 x	2.43 x	2.37 x	2.38 x	2.35 x	2.41 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	4.5%	6.4%	4.9%	3.8%	4.5%	4.8%
Effective Income Tax Rate	37.6%	35.6%	34.1%	36.7%	36.6%	36.1%
Internal Cash Generation/Construction [5]	50.2%	60.6%	59.3%	53.4%	54.4%	55.6%
Gross Cash Flow/ Avg. Total Debt [6]	19.7%	21.3%	19.7%	18.3%	19.3%	19.7%
Gross Cash Flow Interest Coverage [7]	4.33 x	4.38 x	4.04 x	3.81 x	3.75 x	4.06 x
Common Dividend Coverage [8]	3.34 x	3.54 x	3.45 x	3.19 x	3.21 x	3.35 x

See Page 2 for Notes.

Water Group
Capitalization and Financial Statistics
2001-2005, Inclusive

Notes:

(1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group.
(2) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account.
(3) Total operating expenses, maintenance, depreciation and taxes other than income taxes as a percent of operating revenues.
(4) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
(5) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.
(6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
(7) Gross Cash Flow plus interest charges divided by interest charges.
(8) Common dividend coverage is the relationship of internally-generated funds from operations after payment of preferred stock dividends to common dividends paid.

Basis of Selection:

The Water Group companies have the following common characteristics: (i) they are listed in the "Water Utility Industry" section (basic and expanded editions) of The Value Line Investment Survey, (ii) their stock is publicly traded, and (iii) they are not currently the target of a publicly-announced merger or acquisition.

Ticker	Company	Corporate Credit Ratings Moody's	Corporate Credit Ratings S&P	Stock Traded	S&P Stock Ranking	Value Line Beta
AWR	American States Water	A2	A-	NYSE	B+	0.75
WTR	Aqua America, Inc.	-	A+	NYSE	A-	0.80
CWT	California Water Serv. Grp.	A2	A+	NYSE	B+	0.80
CTWS	Connecticut Water Services	-	A	NASDAQ	A-	0.80
MSEX	Middlesex Water Company	-	A-	NASDAQ	B+	0.80
SJW	SJW Corporation	-	-	AMER	B+	0.70
SWWC	Southwest Water Company	-	-	NASDAQ	B+	0.70
YORW	York Water Company	-	A-	-	-	0.45
	Average	A2	A		B+	0.73

Note: Ratings are those of utility subsidiaries

Source of Information: Utility COMPUSTAT
Moody's Investors Service
Standard & Poor's Corporation
S&P Stock Guide

Standard & Poor's Public Utilities
Capitalization and Financial Statistics (1)
2001-2005, Inclusive

	2005	2004	2003	2002	2001	
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	$ 14,644.5	$ 14,562.2	$ 14,658.8	$ 14,236.2	$ 13,783.4	
Short-Term Debt	$ 485.3	$ 278.7	$ 276.6	$ 952.3	$ 1,204.1	
Total Capital	$ 15,129.8	$ 14,840.9	$ 14,935.4	$ 15,188.5	$ 14,987.5	
Market-Based Financial Ratios						Average
Price-Earnings Multiple	18 x	15 x	13 x	15 x	17 x	16 x
Market/Book Ratio	195.5%	180.1%	149.0%	151.3%	183.6%	171.9%
Dividend Yield	3.7%	3.8%	4.2%	5.0%	4.1%	4.2%
Dividend Payout Ratio	58.9%	73.3%	59.9%	75.3%	64.1%	66.3%
Capital Structure Ratios						
Based on Permanent Captial:						
Long-Term Debt	56.6%	58.3%	59.8%	60.4%	58.9%	58.8%
Preferred Stock	1.2%	1.5%	1.6%	1.8%	2.3%	1.7%
Common Equity (2)	42.2%	40.2%	38.6%	37.8%	38.9%	39.5%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	58.5%	59.7%	61.3%	63.5%	62.9%	61.2%
Preferred Stock	1.2%	1.5%	1.6%	1.6%	2.1%	1.6%
Common Equity (2)	40.3%	38.8%	37.2%	34.9%	35.0%	37.2%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rate of Return on Book Common Equity (2)	10.9%	11.1%	9.8%	7.7%	14.5%	10.8%
Operating Ratio (3)	83.0%	84.5%	84.9%	84.5%	85.9%	84.6%
Coverage incl. AFUDC (4)						
Pre-tax: All Interest Charges	3.01 x	2.88 x	2.51 x	2.36 x	2.84 x	2.72 x
Post-tax: All Interest Charges	2.41 x	2.32 x	2.07 x	1.95 x	2.22 x	2.19 x
Overall Coverage: All Int. & Pfd. Div.	2.37 x	2.28 x	2.03 x	1.90 x	2.17 x	2.15 x
Coverage excl. AFUDC (4)						
Pre-tax: All Interest Charges	2.97 x	2.85 x	2.47 x	2.31 x	2.80 x	2.68 x
Post-tax: All Interest Charges	2.37 x	2.29 x	2.03 x	1.90 x	2.18 x	2.15 x
Overall Coverage: All Int. & Pfd. Div.	2.34 x	2.25 x	1.99 x	1.86 x	2.13 x	2.11 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	0.9%	3.1%	1.7%	2.6%	2.0%	2.1%
Effective Income Tax Rate	31.6%	26.3%	40.9%	29.4%	28.1%	31.3%
Internal Cash Generation/Construction (5)	110.4%	127.2%	128.0%	90.6%	88.6%	109.0%
Gross Cash Flow/ Avg. Total Debt (6)	19.7%	19.7%	20.3%	18.2%	17.7%	19.1%
Gross Cash Flow Interest Coverage (7)	4.20 x	4.21 x	4.34 x	3.98 x	3.57 x	4.06 x
Common Dividend Coverage (8)	4.12 x	4.83 x	5.20 x	4.07 x	3.83 x	4.41 x

See Page 2 for Notes.

Standard & Poor's Public Utilities
Capitalization and Financial Statistics
2001-2005, Inclusive

Notes:

(1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group.
(2) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account.
(3) Total operating expenses, maintenance, depreciation and taxes other than income taxes as a percent of operating revenues.
(4) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
(5) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.
(6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) as a percentage of average total debt.
(7) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
(8) Common dividend coverage is the relationship of internally-generated funds from operations after payment of preferred stock dividends to common dividends paid.

Source of Information: Annual Reports to Shareholders
Utility COMPUSTAT

Standard & Poor's Public Utilities

Company Identities [1]

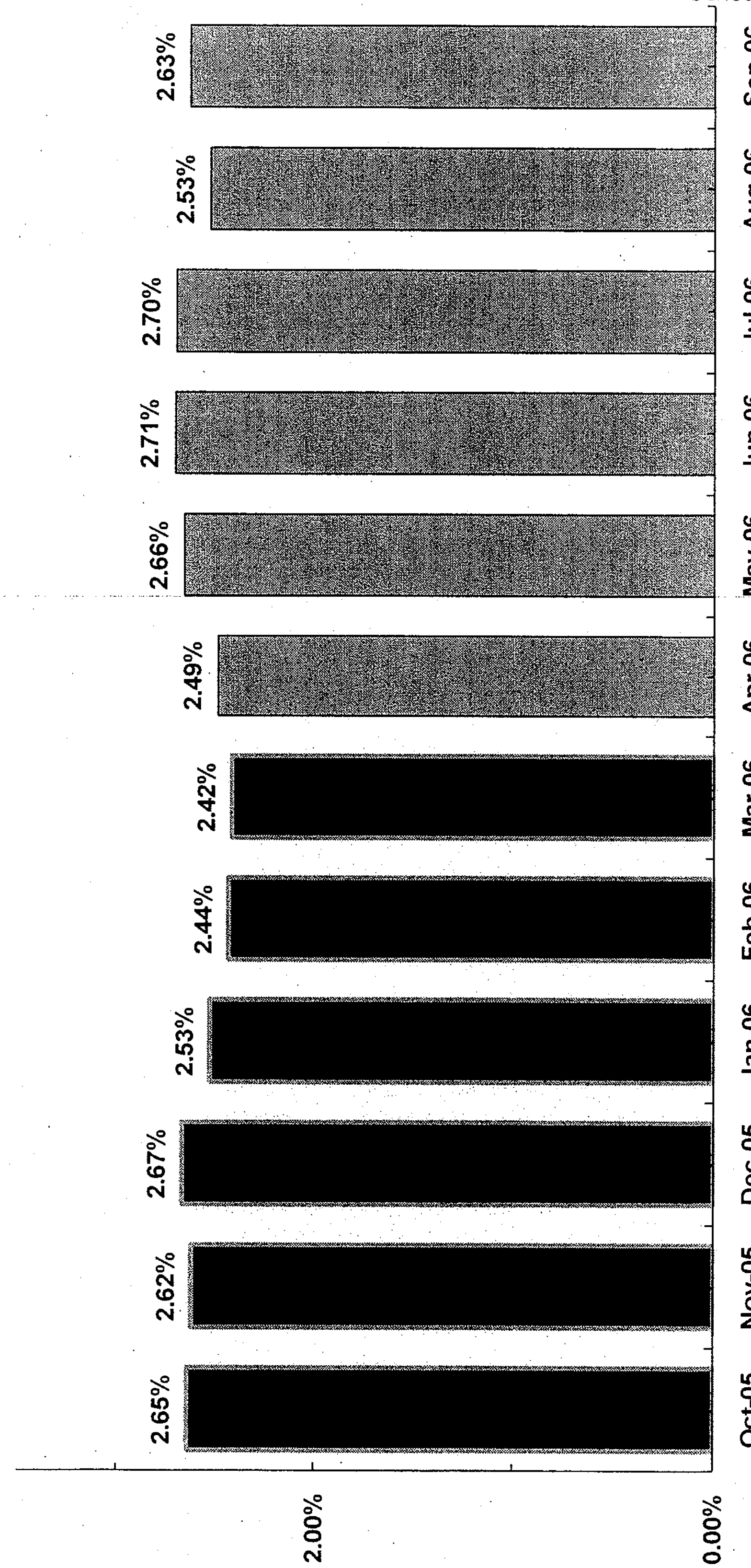
	Ticker	Credit Rating [2] Moody's	Credit Rating [2] S&P	Common Stock Traded	S&P Stock Ranking	Value Line Beta
Allegheny Energy	AYE	Baa3	BB+	NYSE	B-	1.85
Ameren Corporation	AEE	A2	BBB+	NYSE	A-	0.75
American Electric Power	AEP	Baa2	BBB	NYSE	B	1.20
CMS Energy	CMS	Ba1	BB	NYSE	C	1.45
CenterPoint Energy	CNP	Baa3	BBB	NYSE	B	0.65
Consolidated Edison	ED	A1	A	NYSE	B+	0.65
Constellation Energy Group	CEG	A3	BBB+	NYSE	B	0.95
DTE Energy Co.	DTE	Baa1	BBB	NYSE	B+	0.70
Dominion Resources	D	Baa1	BBB	NYSE	B+	0.95
Duke Energy	DUK	Baa2	BBB	NYSE	B+	1.20
Edison Int'l	EIX	Baa1	BBB+	NYSE	B	1.05
Entergy Corp.	ETR	Baa2	BBB	NYSE	B+	0.85
Exelon Corp.	EXC	A3	BBB+	NYSE	B+	0.80
FPL Group	FPL	A1	A	NYSE	A-	0.80
FirstEnergy Corp.	FE	Baa2	BBB	NYSE	B+	0.75
Keyspan Energy	KSE	A3	A	NYSE	B	0.85
NICOR Inc.	GAS	A1	AA	NYSE	B	1.15
NiSource Inc.	NI	Baa2	BBB	NYSE	B	0.80
PG&E Corp.	PCG	Baa1	BBB	NYSE	B	1.10
PPL Corp.	PPL	Baa1	A-	NYSE	B	1.00
Peoples Energy	PGL	A1	A-	NYSE	B	0.85
Pinnacle West Capital	PNW	Baa2	BBB-	NYSE	A-	0.90
Progress Energy, Inc.	PGN	Baa1	BBB	NYSE	B+	0.80
Public Serv. Enterprise Inc.	PEG	Baa1	BBB	NYSE	B+	0.90
Sempra Energy	SRE	A2	A	NYSE	B	1.00
Southern Co.	SO	A2	A	NYSE	A-	0.65
TECO Energy	TE	Baa2	BBB-	NYSE	B-	1.00
TXU CORP	TXU	Baa3	BBB-	NYSE	B	1.05
Xcel Energy Inc	XEL	A3	BBB+	NYSE	B	0.80
Average for S&P Utilities		Baa1	BBB+		B	0.95

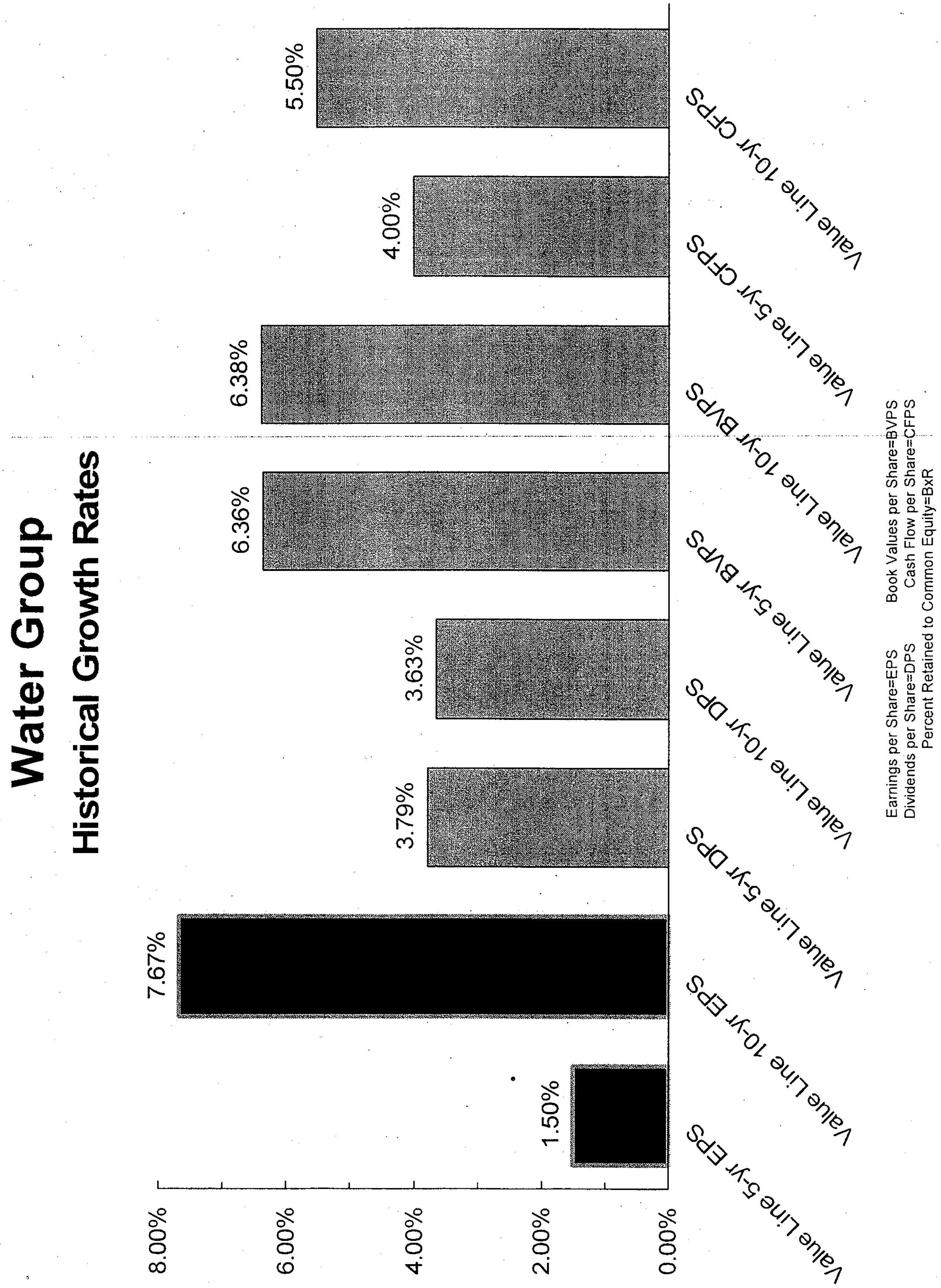
Note: [1] Includes companies contained in S&P Utility Compustat. AES Corp. and Dynegy, Inc. are not included.
[2] Ratings are those of utility subsidiaries

Source of Information:
Moody's Investors Service
Standard & Poor's Corporation
Standard & Poor's Stock Guide
Value Line Investment Survey for Windows

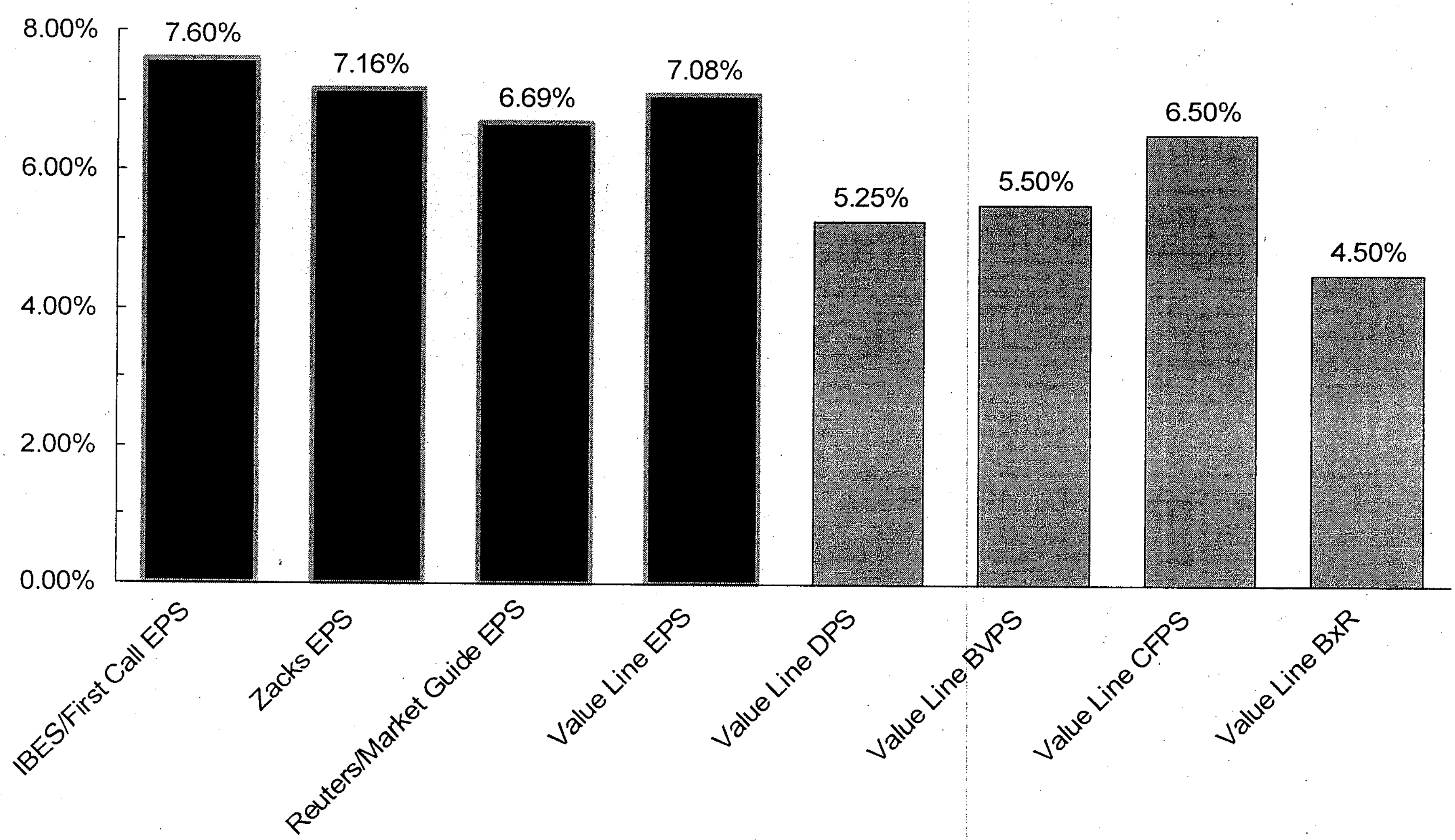
Water Group

Monthly Dividend Yields




Water Group
Historical Growth Rates
8.00%
6.00%
4.00%
2.00%
0.00%
1.50%
7.67%
3.79%
3.63%
6.36%
6.38%
4.00%
5.50%
Value Line 5-yr EPS
Value Line 10-yr EPS
Value Line 5-yr DPS
Value Line 10-yr DPS
Value Line 5-yr BVPS
Value Line 10-yr BVPS
Value Line 5-yr CFPS
Value Line 10-yr CFPS
Earnings per Share=EPS
Dividends per Share=DPS
Book Values per Share=BVPS
Cash Flow per Share=CFPS
Percent Retained to Common Equity=BxR

Water Group
Five-Year Projected Growth Rates



Earnings per Share=EPS
Dividends per Share=DPS
Book Values per Share=BVPS
Cash Flow per Share=CFPS
Percent Retained to Common Equity=BxR

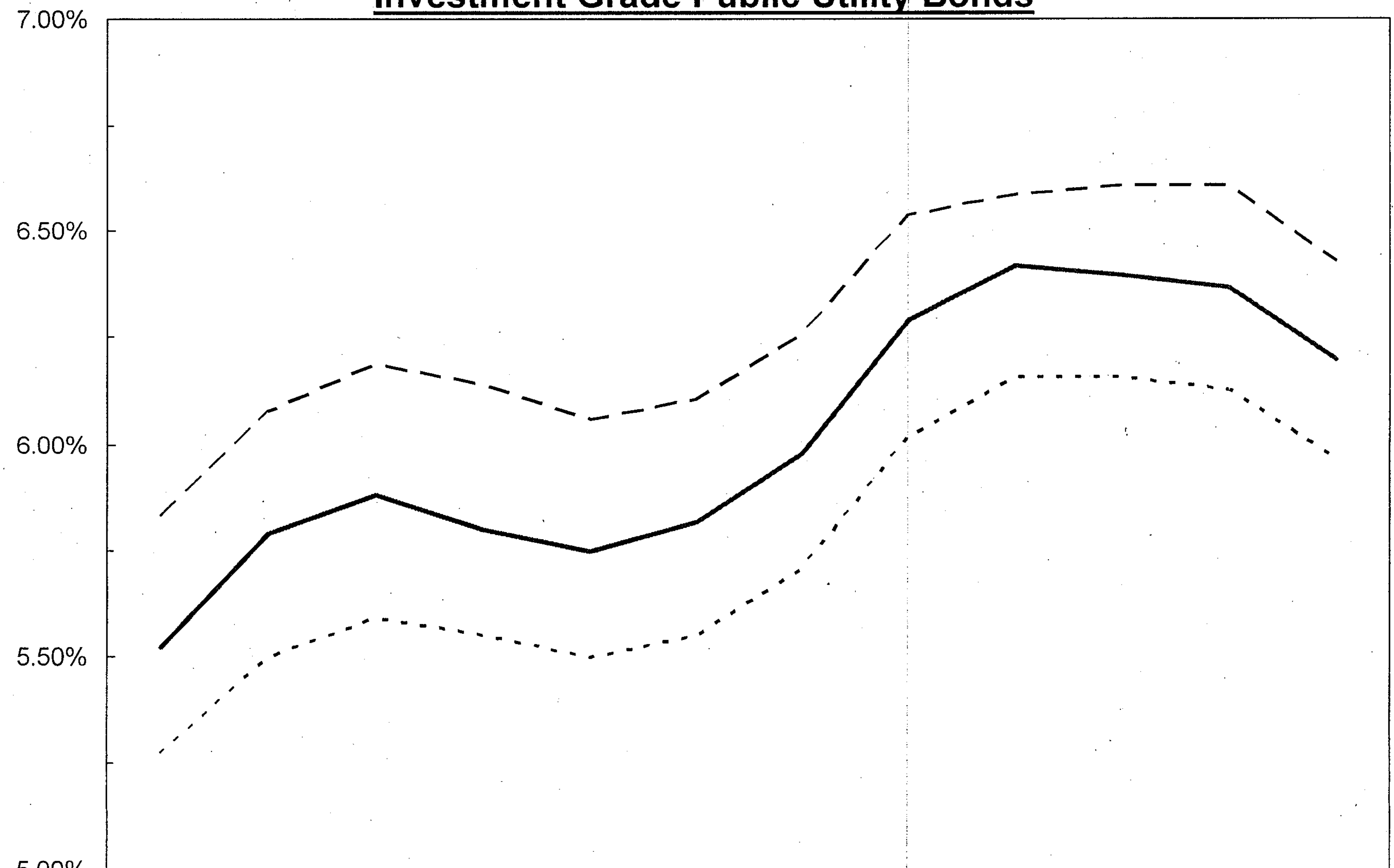
Water Utility Industry
Analysis of Public Offerings of Common Stock
Years 2001-2005

	Philadelphia Suburban Corp. [1]	California Water Service	Philadelphia Suburban Corp.	Middlesex Water Co.	California Water Service	York Water Service	American States Water	California Water Service	Aqua America Inc.	Average
Date of Offering	5/13/2003	8/4/2003	8/18/2003	5/6/2004	6/23/2004	7/15/2004	9/22/2004	9/22/2004	11/9/2004	
No. of shares offered (000)	1,300	1,750	4,000	700	1,250	415	1,400	550	1,700	
Dollar amt. of offering ($000)	$ 30,004	$ 45,938	$ 93,600	$ 13,860	$ 34,063	$ 7,387	$ 35,364	$ 18,356	$ 38,590	
Price to public	$ 23.080	$ 26.250	$ 23.400	$ 19.800	$ 27.250	$ 17.800	$ 25.260	$ 33.375	$ 22.700	
Underwriter's discounts and commission	$ 0.880	$ 1.010	$ 0.819	$ 0.790	$ 1.020	$ 0.710	$ 1.010	$ 1.450	$ 0.860	
Gross Proceeds	$ 22.200	$ 25.240	$ 22.581	$ 19.010	$ 26.230	$ 17.090	$ 24.250	$ 31.925	$ 21.840	
Estimated company issuance expenses	$ 0.077	$ 0.163	$ 0.045	$ 0.536	$ 0.132	$ 0.593	$ 0.184	$ 0.318	NA	
Net proceeds to company per share	$ 22.123	$ 25.077	$ 22.536	$ 18.474	$ 26.098	$ 16.497	$ 24.066	$ 31.607	$ 21.840	
Underwriter's discount as a percent of offering price	3.8%	3.8%	3.5%	4.0%	3.7%	4.0%	4.0%	4.3%	3.8%	
Issuance expense as a percent of offering price	0.3%	0.6%	0.2%	2.7%	0.5%	3.3%	0.7%	1.0%	NA	
Total Issuance and selling expense as as a percent of offering price	4.1%	4.4%	3.7%	6.7%	4.2%	7.3%	4.7%	5.3%	3.8%	4.9%

Notes:

Source of Information: Public Utility Financial Tracker

Interest Rates for
Investment Grade Public Utility Bonds



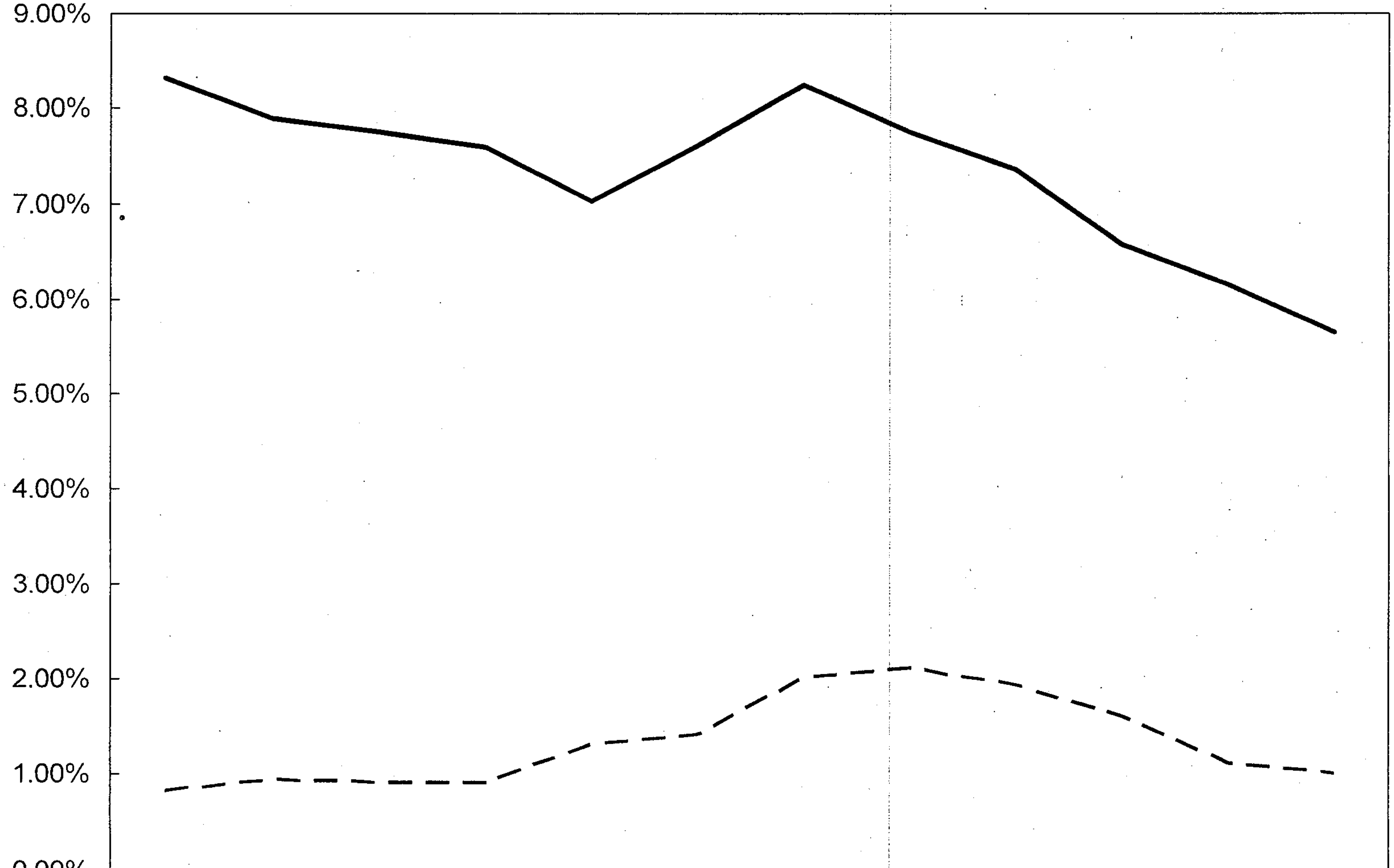
	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06
- - - - Aa	5.27%	5.50%	5.59%	5.55%	5.50%	5.55%	5.71%	6.02%	6.16%	6.16%	6.13%	5.97%
—— A	5.52%	5.79%	5.88%	5.80%	5.75%	5.82%	5.98%	6.29%	6.42%	6.40%	6.37%	6.20%
— — Baa	5.83%	6.08%	6.19%	6.14%	6.06%	6.11%	6.26%	6.54%	6.59%	6.61%	6.61%	6.43%

Interest Rates for Investment Grade Public Utility Bonds
Yearly for 2001-2005
and the Twelve Months Ended August 2006

Years	Aa Rated	A Rated	Baa Rated	Average
2001	7.58%	7.76%	8.03%	7.72%
2002	7.19%	7.37%	8.02%	7.53%
2003	6.40%	6.58%	6.84%	6.61%
2004	6.04%	6.16%	6.40%	6.20%
2005	5.44%	5.65%	5.93%	5.67%
Five-Year Average	6.53%	6.70%	7.04%	6.75%
Months				
Sep-05	5.27%	5.52%	5.83%	5.54%
Oct-05	5.50%	5.79%	6.08%	5.79%
Nov-05	5.59%	5.88%	6.19%	5.88%
Dec-05	5.55%	5.80%	6.14%	5.83%
Jan-06	5.50%	5.75%	6.06%	5.77%
Feb-06	5.55%	5.82%	6.11%	5.83%
Mar-06	5.71%	5.98%	6.26%	5.98%
Apr-06	6.02%	6.29%	6.54%	6.28%
May-06	6.16%	6.42%	6.59%	6.39%
Jun-06	6.16%	6.40%	6.61%	6.39%
Jul-06	6.13%	6.37%	6.61%	6.37%
Aug-06	5.97%	6.20%	6.43%	6.20%
Twelve-Month Average	5.76%	6.02%	6.29%	6.02%
Six-Month Average	6.03%	6.28%	6.51%	6.27%
Three-Month Average	6.09%	6.32%	6.55%	6.32%

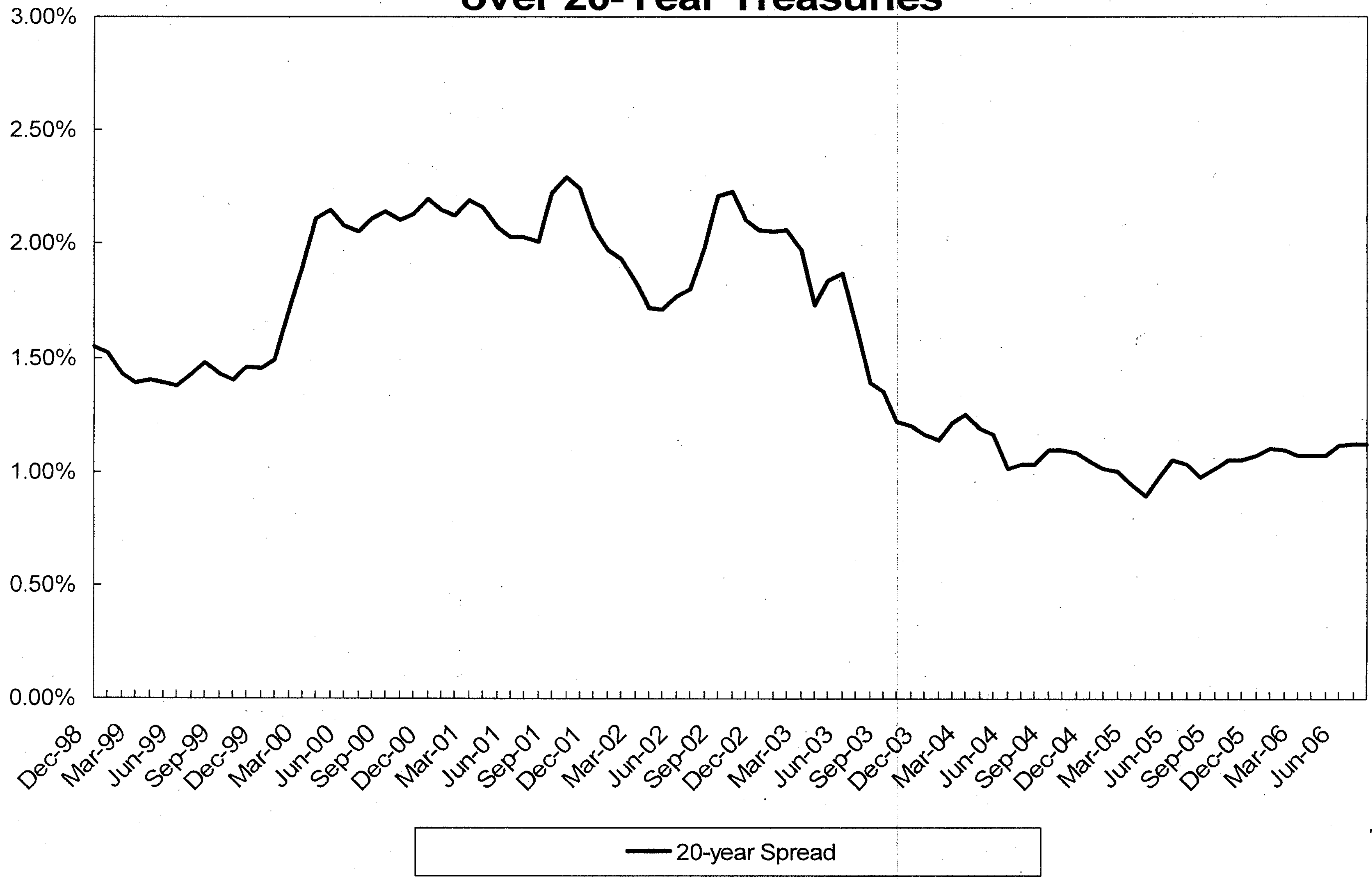
Source: Mergent Bond Record

Yields on A-rated Public Utility Bonds and Spreads over 20-Year Treasuries



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
A-rated Public Utility	8.31%	7.89%	7.75%	7.60%	7.04%	7.62%	8.24%	7.76%	7.37%	6.58%	6.16%	5.65%
Spread vs. 20-year	0.82%	0.94%	0.92%	0.91%	1.32%	1.42%	2.01%	2.13%	1.94%	1.62%	1.12%	1.01%

Interest Rate Spreads
A-rated Public Utility Bonds
over 20-Year Treasuries



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A rated Public Utility Bonds
over 20-Year Treasuries

Year	A-rated Public Utility	20-Year Treasuries Yield	Spread
Dec-98	6.91%	5.36%	1.55%
Jan-99	6.97%	5.45%	1.52%
Feb-99	7.09%	5.66%	1.43%
Mar-99	7.26%	5.87%	1.39%
Apr-99	7.22%	5.82%	1.40%
May-99	7.47%	6.08%	1.39%
Jun-99	7.74%	6.36%	1.38%
Jul-99	7.71%	6.28%	1.43%
Aug-99	7.91%	6.43%	1.48%
Sep-99	7.93%	6.50%	1.43%
Oct-99	8.06%	6.66%	1.40%
Nov-99	7.94%	6.48%	1.46%
Dec-99	8.14%	6.69%	1.45%
Jan-00	8.35%	6.86%	1.49%
Feb-00	8.25%	6.54%	1.71%
Mar-00	8.28%	6.38%	1.90%
Apr-00	8.29%	6.18%	2.11%
May-00	8.70%	6.55%	2.15%
Jun-00	8.36%	6.28%	2.08%
Jul-00	8.25%	6.20%	2.05%
Aug-00	8.13%	6.02%	2.11%
Sep-00	8.23%	6.09%	2.14%
Oct-00	8.14%	6.04%	2.10%
Nov-00	8.11%	5.98%	2.13%
Dec-00	7.84%	5.64%	2.20%
Jan-01	7.80%	5.65%	2.15%
Feb-01	7.74%	5.62%	2.12%
Mar-01	7.68%	5.49%	2.19%
Apr-01	7.94%	5.78%	2.16%
May-01	7.99%	5.92%	2.07%
Jun-01	7.85%	5.82%	2.03%
Jul-01	7.78%	5.75%	2.03%
Aug-01	7.59%	5.58%	2.01%
Sep-01	7.75%	5.53%	2.22%
Oct-01	7.63%	5.34%	2.29%
Nov-01	7.57%	5.33%	2.24%
Dec-01	7.83%	5.76%	2.07%
Jan-02	7.66%	5.69%	1.97%
Feb-02	7.54%	5.61%	1.93%
Mar-02	7.76%	5.93%	1.83%
Apr-02	7.57%	5.85%	1.72%
May-02	7.52%	5.81%	1.71%
Jun-02	7.42%	5.65%	1.77%
Jul-02	7.31%	5.51%	1.80%
Aug-02	7.17%	5.19%	1.98%
Sep-02	7.08%	4.87%	2.21%
Oct-02	7.23%	5.00%	2.23%
Nov-02	7.14%	5.04%	2.10%
Dec-02	7.07%	5.01%	2.06%
Jan-03	7.07%	5.02%	2.05%
Feb-03	6.93%	4.87%	2.06%
Mar-03	6.79%	4.82%	1.97%
Apr-03	6.64%	4.91%	1.73%
May-03	6.36%	4.52%	1.84%
Jun-03	6.21%	4.34%	1.87%
Jul-03	6.57%	4.92%	1.65%
Aug-03	6.78%	5.39%	1.39%
Sep-03	6.56%	5.21%	1.35%
Oct-03	6.43%	5.21%	1.22%
Nov-03	6.37%	5.17%	1.20%
Dec-03	6.27%	5.11%	1.16%
Jan-04	6.15%	5.01%	1.14%
Feb-04	6.15%	4.94%	1.21%
Mar-04	5.97%	4.72%	1.25%
Apr-04	6.35%	5.16%	1.19%
May-04	6.62%	5.46%	1.16%
Jun-04	6.46%	5.45%	1.01%
Jul-04	6.27%	5.24%	1.03%
Aug-04	6.14%	5.07%	1.07%
Sep-04	5.98%	4.89%	1.09%
Oct-04	5.94%	4.85%	1.09%
Nov-04	5.97%	4.89%	1.08%
Dec-04	5.92%	4.88%	1.04%
Jan-05	5.78%	4.77%	1.01%
Feb-05	5.61%	4.61%	1.00%
Mar-05	5.83%	4.89%	0.94%
Apr-05	5.64%	4.75%	0.89%
May-05	5.53%	4.56%	0.97%
Jun-05	5.40%	4.35%	1.05%
Jul-05	5.51%	4.48%	1.03%
Aug-05	5.50%	4.53%	0.97%
Sep-05	5.52%	4.51%	1.01%
Oct-05	5.79%	4.74%	1.05%
Nov-05	5.88%	4.83%	1.05%
Dec-05	5.80%	4.73%	1.07%
Jan-06	5.75%	4.65%	1.10%
Feb-06	5.82%	4.73%	1.09%
Mar-06	5.98%	4.91%	1.07%
Apr-06	6.29%	5.22%	1.07%
May-06	6.42%	5.35%	1.07%
Jun-06	6.40%	5.29%	1.11%
Jul-06	6.37%	5.25%	1.12%
Aug-06	6.20%	5.08%	1.12%

S&P Composite Index and S&P Public Utility Index
Long-Term Corporate and Public Utility Bonds
Yearly Total Returns
1928-2005

Year	S & P Composite Index	S & P Public Utility Index	Long Term Corporate Bonds	Public Utility Bonds
1928	43.61%	57.47%	2.84%	3.08%
1929	-8.42%	11.02%	3.27%	2.34%
1930	-24.90%	-21.96%	7.98%	4.74%
1931	-43.34%	-35.90%	-1.85%	-11.11%
1932	-8.19%	-0.54%	10.82%	7.25%
1933	53.99%	-21.87%	10.38%	-3.82%
1934	-1.44%	-20.41%	13.84%	22.61%
1935	47.67%	76.63%	9.61%	16.03%
1936	33.92%	20.69%	6.74%	8.30%
1937	-35.03%	-37.04%	2.75%	-4.05%
1938	31.12%	22.45%	6.13%	8.11%
1939	-0.41%	11.26%	3.97%	6.76%
1940	-9.78%	-17.15%	3.39%	4.45%
1941	-11.59%	-31.57%	2.73%	2.15%
1942	20.34%	15.39%	2.60%	3.81%
1943	25.90%	46.07%	2.83%	7.04%
1944	19.75%	18.03%	4.73%	3.29%
1945	36.44%	53.33%	4.08%	5.92%
1946	-8.07%	1.26%	1.72%	2.98%
1947	5.71%	-13.16%	-2.34%	-2.19%
1948	5.50%	4.01%	4.14%	2.65%
1949	18.79%	31.39%	3.31%	7.16%
1950	31.71%	3.25%	2.12%	2.01%
1951	24.02%	18.63%	-2.69%	-2.77%
1952	18.37%	19.25%	3.52%	2.99%
1953	-0.99%	7.85%	3.41%	2.08%
1954	52.62%	24.72%	5.39%	7.57%
1955	31.56%	11.26%	0.48%	0.12%
1956	6.56%	5.06%	-6.81%	-6.25%
1957	-10.78%	6.36%	8.71%	3.58%
1958	43.36%	40.70%	-2.22%	0.18%
1959	11.96%	7.49%	-0.97%	-2.29%
1960	0.47%	20.26%	9.07%	9.01%
1961	26.89%	29.33%	4.82%	4.65%
1962	-8.73%	-2.44%	7.95%	6.55%
1963	22.80%	12.36%	2.19%	3.44%
1964	16.48%	15.91%	4.77%	4.94%
1965	12.45%	4.67%	-0.46%	0.50%
1966	-10.06%	-4.48%	0.20%	-3.45%
1967	23.98%	-0.63%	-4.95%	-3.63%
1968	11.06%	10.32%	2.57%	1.87%
1969	-8.50%	-15.42%	-8.09%	-6.66%
1970	4.01%	16.56%	18.37%	15.90%
1971	14.31%	2.41%	11.01%	11.59%
1972	18.98%	8.15%	7.26%	7.19%
1973	-14.66%	-18.07%	1.14%	2.42%
1974	-26.47%	-21.55%	-3.06%	-5.28%
1975	37.20%	44.49%	14.64%	15.50%
1976	23.84%	31.81%	18.65%	19.04%
1977	-7.18%	8.64%	1.71%	5.22%
1978	6.56%	-3.71%	-0.07%	-0.98%
1979	18.44%	13.58%	-4.18%	-2.75%
1980	32.42%	15.08%	-2.76%	-0.23%
1981	-4.91%	11.74%	-1.24%	4.27%
1982	21.41%	26.52%	42.56%	33.52%
1983	22.51%	20.01%	6.26%	10.33%
1984	6.27%	26.04%	16.86%	14.82%
1985	32.16%	33.05%	30.09%	26.48%
1986	18.47%	28.53%	19.85%	18.16%
1987	5.23%	-2.92%	-0.27%	3.02%
1988	16.81%	18.27%	10.70%	10.19%
1989	31.49%	47.80%	16.23%	15.61%
1990	-3.17%	-2.57%	6.78%	8.13%
1991	30.55%	14.61%	19.89%	19.25%
1992	7.67%	8.10%	9.39%	8.65%
1993	9.99%	14.41%	13.19%	10.59%
1994	1.31%	-7.94%	-5.76%	-4.72%
1995	37.43%	42.15%	27.20%	22.81%
1996	23.07%	3.14%	1.40%	3.04%
1997	33.36%	24.69%	12.95%	11.39%
1998	28.58%	14.82%	10.76%	9.44%
1999	21.04%	-8.85%	-7.45%	-1.69%
2000	-9.11%	59.70%	12.87%	9.45%
2001	-11.88%	-30.41%	10.65%	5.85%
2002	-22.10%	-30.04%	16.33%	1.63%
2003	28.70%	26.11%	5.27%	10.01%
2004	10.87%	24.22%	8.72%	6.03%
2005	4.91%	16.79%	5.87%	3.02%
Geometric Mean	10.03%	8.65%	5.89%	5.47%
Arithmetic Mean	11.99%	11.02%	6.21%	5.75%
Standard Deviation	20.26%	22.67%	8.61%	7.93%
Median	13.38%	11.50%	4.44%	4.55%

Tabulation of Risk Rate Differentials for
S&P Public Utility Index and Public Utility Bonds
For the Years 1928-2005, 1952-2005, 1974-2005, and 1979-2005

Total Returns	Range: Geometric Mean	Range: Median	Midpoint	Point Estimate: Arithmetic Mean	Average of the Midpoint of Range and Point Estimate
1928-2005					
S&P Public Utility Index	8.65%	11.50%		11.02%	
Public Utility Bonds	5.47%	4.55%		5.75%	
Risk Differential	3.18%	6.95%	5.07%	5.27%	5.17%
1952-2005					
S&P Public Utility Index	10.82%	12.97%		12.37%	
Public Utility Bonds	6.21%	5.08%		6.52%	
Risk Differential	4.61%	7.89%	6.25%	5.85%	6.05%
1974-2005					
S&P Public Utility Index	12.54%	14.95%		14.57%	
Public Utility Bonds	8.70%	9.05%		9.06%	
Risk Differential	3.84%	5.90%	4.87%	5.51%	5.19%
1979-2005					
S&P Public Utility Index	13.15%	15.08%		15.06%	
Public Utility Bonds	9.15%	9.44%		9.49%	
Risk Differential	4.00%	5.64%	4.82%	5.57%	5.20%

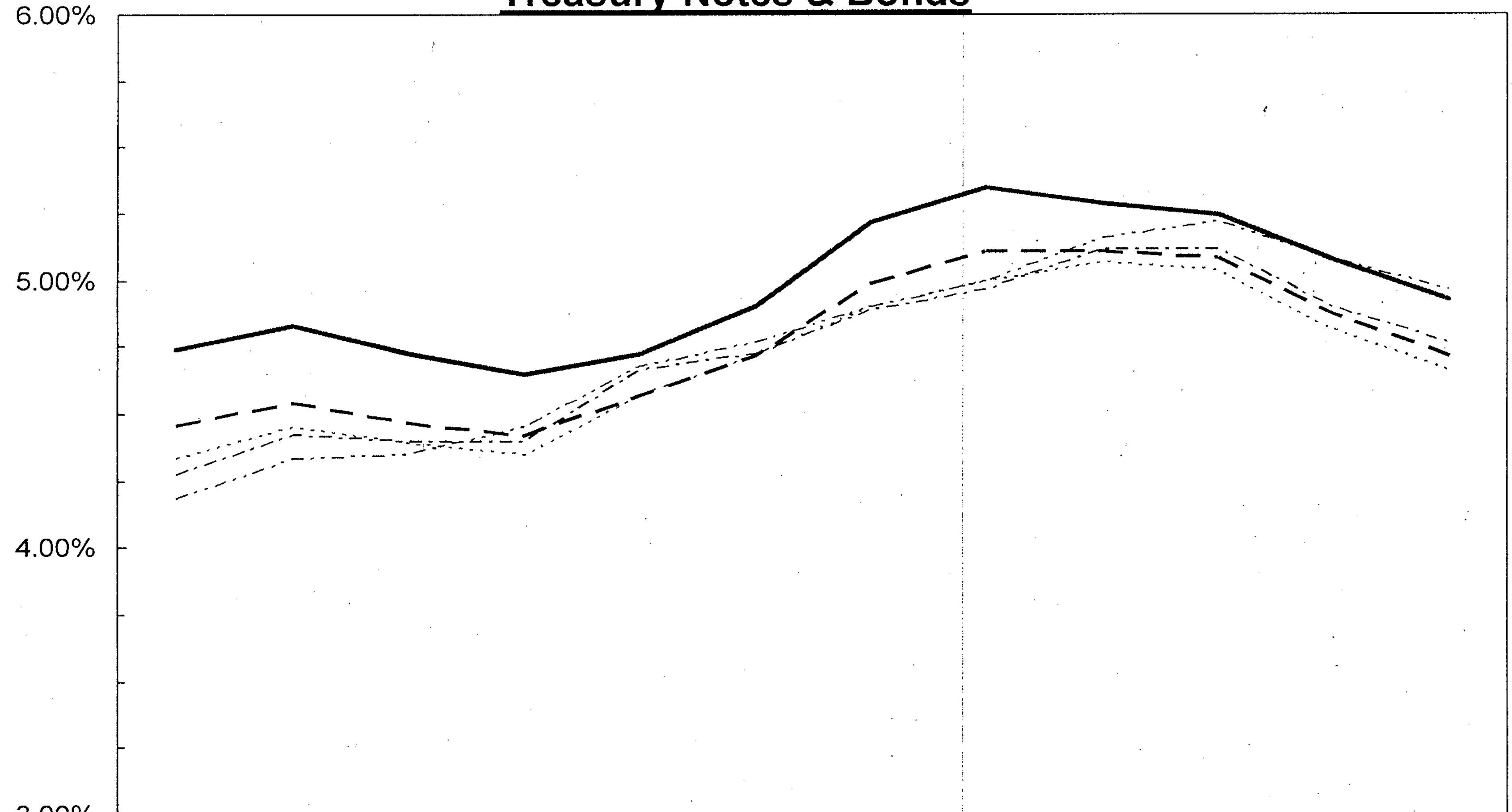
Value Line Betas

Water Group

American States Water	0.75
Aqua America, Inc.	0.80
California Water Serv. Grp.	0.80
Connecticut Water Services	0.80
Middlesex Water Company	0.80
SJW Corporation	0.70
Southwest Water Company	0.70
York Water Company	0.45
Average	0.73

Source of Information:
Value Line Investment Survey
July 28, 2006

Yields on Treasury Notes & Bonds



	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
1-Year	4.18%	4.33%	4.35%	4.45%	4.68%	4.77%	4.90%	5.00%	5.16%	5.22%	5.08%	4.97%
2-Year	4.27%	4.42%	4.40%	4.40%	4.67%	4.73%	4.89%	4.97%	5.12%	5.12%	4.90%	4.77%
5-Year	4.33%	4.45%	4.39%	4.35%	4.57%	4.72%	4.90%	5.00%	5.07%	5.04%	4.82%	4.67%
10-Year	4.46%	4.54%	4.47%	4.42%	4.57%	4.72%	4.99%	5.11%	5.11%	5.09%	4.88%	4.72%
20-Year	4.74%	4.83%	4.73%	4.65%	4.73%	4.91%	5.22%	5.35%	5.29%	5.25%	5.08%	4.93%

Yields for Treasury Constant Maturities
Yearly for 2001-2005
and the Twelve Months Ended September 2006

Years	1-Year	2-Year	3-Year	5-Year	7-Year	10-Year	20-Year
2001	3.49%	3.83%	4.09%	4.56%	4.88%	5.02%	5.63%
2002	2.00%	2.64%	3.10%	3.82%	4.30%	4.61%	5.43%
2003	1.24%	1.65%	2.10%	2.97%	3.52%	4.02%	4.96%
2004	1.89%	2.38%	2.78%	3.43%	3.87%	4.27%	5.04%
2005	3.62%	3.85%	3.93%	4.05%	4.15%	4.29%	4.64%
Five-Year Average	2.45%	2.87%	3.20%	3.77%	4.14%	4.44%	5.14%
Months							
Oct-05	4.18%	4.27%	4.29%	4.33%	4.38%	4.46%	4.74%
Nov-05	4.33%	4.42%	4.43%	4.45%	4.48%	4.54%	4.83%
Dec-05	4.35%	4.40%	4.39%	4.39%	4.41%	4.47%	4.73%
Jan-06	4.45%	4.40%	4.35%	4.35%	4.37%	4.42%	4.65%
Feb-06	4.68%	4.67%	4.64%	4.57%	4.56%	4.57%	4.73%
Mar-06	4.77%	4.73%	4.74%	4.72%	4.71%	4.72%	4.91%
Apr-06	4.90%	4.89%	4.89%	4.90%	4.94%	4.99%	5.22%
May-06	5.00%	4.97%	4.97%	5.00%	5.03%	5.11%	5.35%
Jun-06	5.16%	5.12%	5.09%	5.07%	5.08%	5.11%	5.29%
Jul-06	5.22%	5.12%	5.07%	5.04%	5.05%	5.09%	5.25%
Aug-06	5.08%	4.90%	4.85%	4.82%	4.83%	4.88%	5.08%
Sep-06	4.97%	4.77%	4.69%	4.67%	4.68%	4.72%	4.93%
Twelve-Month Average	4.76%	4.72%	4.70%	4.69%	4.71%	4.76%	4.98%
Six-Month Average	5.06%	4.96%	4.93%	4.92%	4.94%	4.98%	5.19%
Three-Month Average	5.09%	4.93%	4.87%	4.84%	4.85%	4.90%	5.09%

Source: Federal Reserve statistical release H.15

Measures of the Risk-Free Rate

The forecast of Treasury yields
per the consensus of nearly 50 economists
reported in the Blue Chip Financial Forecasts dated October 1, 2006

Year	Quarter	1-Year Treasury Bill	2-Year Treasury Note	5-Year Treasury Note	10-Year Treasury Note	30-Year Treasury Bond
2006	Fourth	5.0%	4.8%	4.8%	4.8%	4.9%
2006	First	5.0%	4.9%	4.8%	4.9%	5.0%
2007	Second	4.9%	4.9%	4.9%	4.9%	5.0%
2007	Third	4.9%	4.8%	4.8%	4.9%	5.0%
2007	Fourth	4.8%	4.8%	4.8%	4.9%	5.1%
2008	First	4.8%	4.8%	4.9%	5.0%	5.1%

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THE VALUE LINE Investment Survey®

Part 1
Summary & Index

File at the front of the *Ratings & Reports* binder. Last week's *Summary & Index* should be removed.

September 8, 2006

TABLE OF SUMMARY & INDEX CONTENTS

SCREENS

The Median of Estimated
PRICE-EARNINGS RATIOS
of all stocks with earnings

17.1

26 Weeks Ago	Market Low 10-9-02	Market High 5-5-06
18.7	14.1	19.6

The Median of Estimated
DIVIDEND YIELDS
(next 12 months) of all dividend paying stocks under review

1.8%

26 Weeks Ago	Market Low 10-9-02	Market High 5-5-06
1.6%	2.4%	1.6%

The Estimated Median Price
APPRECIATION POTENTIAL
of all 1700 stocks in the hypothesized economic environment 3 to 5 years hence

50%

26 Weeks Ago	Market Low 10-9-02	Market High 5-5-06
40%	115%	40%

ANALYSES OF INDUSTRIES IN ALPHABETICAL ORDER WITH PAGE NUMBER

Numeral in parenthesis after the industry is rank for probable performance (next 12 months).

*Reviewed in this week's issue.

In three parts: This is Part 1, the Summary & Index. Part 2 is Selection & Opinion. Part 3 is Ratings & Reports. Volume LXII, No. 2.

Published weekly by VALUE LINE PUBLISHING, INC. 220 East 42nd Street, New York, N.Y. 10017-5891

See back cover for important disclosures.

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Indiana-American Water Company
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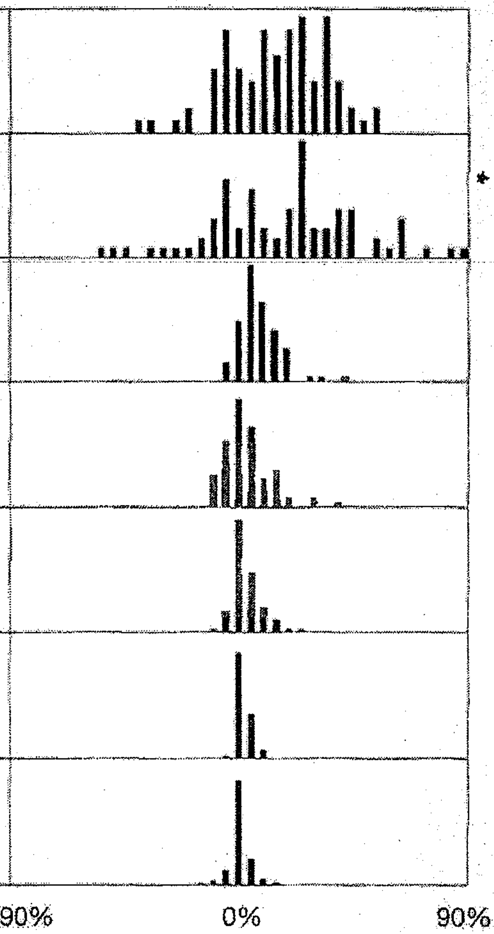
Table 2-1

Basic Series: Summary Statistics of Annual Total Returns

from 1926 to 2005

Series	Geometric Mean	Arithmetic Mean	Standard Deviation	Distribution
Large Company Stocks	10.4%	12.3%	20.2%	
Small Company Stocks	12.6	17.4	32.9	*
Long-Term Corporate Bonds	5.9	6.2	8.5	
Long-Term Government	5.5	5.8	9.2	
Intermediate-Term Government	5.3	5.5	5.7	
U.S. Treasury Bills	3.7	3.8	3.1	
Inflation	3.0	3.1	4.3	



*The 1933 Small Company Stocks Total Return was 142.9 percent.

Comparable Earnings Approach
Using Non-Utility Companies with
Timeliness of 3, 4 & 5; Safety Rank of 2 & 3; Financial Strength of B, B+ & B++;
Price Stability of 65 to 90; Betas of .45 to .80; and Technical Rank of 3 & 4

Company	Industry	Timeliness Rank	Safety Rank	Financial Strength	Price Stability	Beta	Technical Rank
ABM Industries Inc.	INDUSRV	4	3	B++	80	0.80	3
Alliant Techsystems	DEFENSE	3	3	B+	75	0.80	3
Altria Group	TOBACCO	4	3	B++	80	0.80	3
AmerisourceBergen	MEDSUPPL	3	3	B++	75	0.75	3
Arbitron Inc.	INFOSER	3	3	B+	85	0.75	4
Beckman Coulter	MEDSUPPL	4	3	B++	70	0.55	4
CBRL Group	RESTRNT	4	3	B+	70	0.80	4
CEC Entertainment	RESTRNT	4	3	B++	65	0.65	4
Constellation Brands	ALCO-BEV	3	3	B	75	0.75	3
Deluxe Corp.	PUBLISH	5	3	B	70	0.70	4
Edwards Lifesciences	MEDSUPPL	3	2	B++	85	0.75	3
Invacare Corp.	MEDSUPPL	5	3	B+	75	0.80	3
Matthews Int'l	DIVERSIF	3	3	B+	80	0.75	3
Northrop Grumman	DEFENSE	3	2	B++	90	0.70	3
Papa John's Int'l	RESTRNT	3	2	B++	85	0.75	3
PepsiAmericas Inc.	BEVERAGE	4	3	B	90	0.80	3
RLI Corp.	INSPRPTY	4	2	B++	85	0.75	4
Schein (Henry)	MEDSUPPL	3	3	B+	75	0.75	3
Smucker (J.M.)	FOODPROC	3	2	B++	85	0.70	3
Speedway Motorsports	RECREATE	3	3	B	85	0.75	3
Universal Health Sv. `B'	MEDSERV	3	3	B+	75	0.70	3
Wiley (John) & Sons	PUBLISH	3	3	B+	90	0.75	3
Yankee Candle	HOUSEPRD	4	3	B++	65	0.80	3
Yum! Brands	RESTRNT	3	3	B++	70	0.55	3
Average		4	3	B+	78	0.74	3
Gas Group	Range	3 to 5	2 to 3	B to B++	65 to 90	.45 to .80	3 to 4
	Average	4	3	B+	80	0.73	3

Source of Information: Value Line Investment Survey for Windows, September 8, 2006

Comparable Earnings Approach
Five -Year Average Historical Earned Returns
for Years 2001-2005 and
Projected 3-5 Year Returns

Company	2001	2002	2003	2004	2005	Average	Projected 2009-11
ABM Industries Inc.	12.5%	12.1%	8.2%	9.5%	9.6%	10.4%	14.5%
Alliant Techsystems	15.5%	27.0%	28.8%	22.4%	24.5%	23.6%	13.0%
Altria Group	43.6%	48.3%	36.7%	30.7%	29.9%	37.8%	24.0%
AmerisourceBergen	4.9%	10.8%	11.2%	10.8%	8.3%	9.2%	11.5%
Arbitron Inc.	-	-	-	NMF	67.8%	67.8%	33.0%
Beckman Coulter	27.3%	26.9%	20.3%	19.3%	15.8%	21.9%	12.5%
CBRL Group	8.7%	11.7%	13.4%	13.2%	14.6%	12.3%	26.0%
CEC Entertainment	18.9%	18.0%	18.7%	22.9%	21.8%	20.1%	22.0%
Constellation Brands	14.4%	16.4%	11.2%	11.3%	12.8%	13.2%	11.0%
Deluxe Corp.	NMF	NMF	-	NMF	NMF	NMF	NMF
Edwards Lifesciences	13.7%	15.4%	15.2%	16.6%	18.1%	15.8%	16.5%
Invacare Corp.	15.8%	13.5%	11.6%	10.0%	7.2%	11.6%	9.5%
Matthews Int'l	21.0%	21.1%	17.5%	18.0%	17.9%	19.1%	14.5%
Northrop Grumman	5.5%	4.8%	4.8%	6.4%	7.4%	5.8%	12.0%
Papa John's Int'l	24.2%	38.4%	23.0%	28.0%	25.7%	27.9%	17.0%
PepsiAmericas Inc.	6.3%	9.4%	9.8%	10.8%	12.0%	9.7%	10.5%
RLI Corp.	9.0%	8.4%	10.6%	10.3%	14.0%	10.5%	11.0%
Schein (Henry)	12.8%	13.7%	13.9%	12.3%	13.2%	13.2%	16.0%
Smucker (J.M.)	12.2%	9.3%	10.0%	8.9%	9.0%	9.9%	10.0%
Speedway Motorsports	12.9%	12.5%	12.4%	12.7%	14.1%	12.9%	12.0%
Universal Health Sv. `B'	16.2%	19.0%	17.7%	13.2%	13.2%	15.9%	12.0%
Wiley (John) & Sons	23.5%	22.3%	20.7%	23.0%	24.0%	22.7%	13.5%
Yankee Candle	32.5%	30.0%	39.3%	46.0%	119.9%	53.5%	NMF
Yum! Brands	NMF	98.1%	56.1%	45.2%	52.6%	63.0%	38.5%
Average						22.1%	16.4%
Median						15.8%	13.3%

INDIANA-AMERICAN WATER COMPANY

Appendices A Through I to Accompany

the Direct Testimony

of

Paul R. Moul, Managing Consultant
P. Moul & Associates, Inc.

Concerning

Rate of Return

EDUCATIONAL BACKGROUND, BUSINESS EXPERIENCE AND QUALIFICATIONS

I was awarded a degree of Bachelor of Science in Business Administration by Drexel University in 1971. While at Drexel, I participated in the Cooperative Education Program which included employment, for one year, with American Water Works Service Company, Inc., as an internal auditor, where I was involved in the audits of several operating water companies of the American Water Works System and participated in the preparation of annual reports to regulatory agencies and assisted in other general accounting matters.

Upon graduation from Drexel University, I was employed by American Water Works Service Company, Inc., in the Eastern Regional Treasury Department where my duties included preparation of rate case exhibits for submission to regulatory agencies, as well as responsibility for various treasury functions of the thirteen New England operating subsidiaries.

In 1973, I joined the Municipal Financial Services Department of Betz Environmental Engineers, a consulting engineering firm, where I specialized in financial studies for municipal water and wastewater systems.

In 1974, I joined Associated Utility Services, Inc., now known as AUS Consultants. I held various positions with the Utility Services Group of AUS Consultants, concluding my employment there as a Senior Vice President.

In 1994, I formed P. Moul & Associates, an independent financial and regulatory consulting firm. In my capacity as Managing Consultant and for the past twenty-nine years, I have continuously studied the rate of return requirements for cost of service regulated firms. In this regard, I have supervised the preparation of rate of return studies which were employed in connection with my testimony and in the past for other individuals. I have presented direct testimony on the subject of fair rate of return, evaluated rate of return testimony of other witnesses, and presented rebuttal testimony.

My studies and prepared direct testimony have been presented before thirty (30) federal, state and municipal regulatory commissions, consisting of: the Federal Energy Regulatory Commission; state public utility commissions in Alabama, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Hampshire, New Jersey, New York, North Carolina, Oklahoma, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and West Virginia; and the

Philadelphia Gas Commission. My testimony has been offered in over 200 rate cases involving electric power, natural gas distribution and transmission, resource recovery, solid waste collection and disposal, telephone, wastewater, and water service utility companies. While my testimony has involved principally fair rate of return and financial matters, I have also testified on capital allocations, capital recovery, cash working capital, income taxes, factoring of accounts receivable, and take-or-pay expense recovery. My testimony has been offered on behalf of municipal and investor-owned public utilities and for the staff of a regulatory commission. I have also testified at an Executive Session of the State of New Jersey Commission of Investigation concerning the BPU regulation of solid waste collection and disposal.

I was a co-author of a verified statement submitted to the Interstate Commerce Commission concerning the 1983 Railroad Cost of Capital (Ex Parte No. 452). I was also co-author of comments submitted to the Federal Energy Regulatory Commission regarding the Generic Determination of Rate of Return on Common Equity for Public Utilities in 1985, 1986 and 1987 (Docket Nos. RM85-19-000, RM86-12-000, RM87-35-000 and RM88-25-000). Further, I have been the consultant to the New York Chapter of the National Association of Water Companies which represented the water utility group in the Proceeding on Motion of the Commission to Consider Financial Regulatory Policies for New York Utilities (Case 91-M-0509). I have also submitted comments to the Federal Energy Regulatory Commission in its Notice of Proposed Rulemaking (Docket No. RM99-2-000) concerning Regional Transmission Organizations and on behalf of the Edison Electric Institute in its intervention in the case of Southern California Edison Company (Docket No. ER97-2355-000).

In late 1978, I arranged for the private placement of bonds on behalf of an investor-owned public utility. I have assisted in the preparation of a report to the Delaware Public Service Commission relative to the operations of the Lincoln and Ellendale Electric Company. I was also engaged by the Delaware P.S.C. to review and report on the proposed financing and disposition of certain assets of Sussex Shores Water Company (P.S.C. Docket Nos. 24-79 and 47-79). I was a co-author of a Report on Proposed Mandatory Solid Waste Collection Ordinance prepared for the Board of County Commissioners of Collier County, Florida.

I have been a consultant to the Bucks County Water and Sewer Authority concerning rates and charges for wholesale contract service with the City of Philadelphia. My municipal consulting experience also included an assignment for Baltimore County, Maryland, regarding the City/County Water Agreement for Metropolitan District customers (Circuit Court for Baltimore County in Case 34/153/87-CSP-2636).

I am a member of the Society of Utility and Regulatory Financial Analysis (formerly the National Society of Rate of Return Analysts) and have attended several Financial Forums sponsored by the Society. I attended the first National Regulatory Conference at the Marshall-Wythe School of Law, College of William and Mary. I also attended an Executive Seminar sponsored by the Colgate Darden Graduate Business School of the University of Virginia concerning Regulated Utility Cost of Equity and the Capital Asset Pricing Model. In October 1984, I attended a Standard & Poor's Seminar on the Approach to Municipal Utility Ratings, and in May 1985, I attended an S&P Seminar on Telecommunications Ratings.

My lecture and speaking engagements include:

Date	Occasion	Sponsor
April 2006	Thirty-eighth Financial Forum	Society of Utility & Regulatory Financial Analysts
April 2001	Thirty-third Financial Forum	Society of Utility & Regulatory Financial Analysts
December 2000	Pennsylvania Public Utility Law Conference: Non-traditional Players in the Water Industry	Pennsylvania Bar Institute
July 2000	EEI Member Workshop Developing Incentives Rates: Application and Problems	Edison Electric Institute
February 2000	The Sixth Annual FERC Briefing	Exnet and Bruder, Gentile & Marcoux, LLP
March 1994	Seventh Annual Proceeding	Electric Utility Business Environment Conf.
May 1993	Financial School	New England Gas Assoc.
April 1993	Twenty-Fifth Financial Forum	National Society of Rate of Return Analysts
June 1992	Rate and Charges Subcommittee Annual Conference	American Water Works Association
May 1992	Rates School	New England Gas Assoc.
October 1989	Seventeenth Annual Eastern Utility Rate Seminar	Water Committee of the National Association of Regulatory Utility Commissioners Florida Public Service Commission and University of Utah

October 1988	Sixteenth Annual Eastern Utility Rate Seminar	Water Committee of the National Association of Regulatory Utility Commissioners, Florida Public Service Commission and University of Utah
May 1988	Twentieth Financial Forum	National Society of Rate of Return Analysts
October 1987	Fifteenth Annual Eastern Utility Rate Seminar	Water Committee of the National Association of Regulatory Utility Commissioners, Florida Public Service Commission and University of Utah
September 1987	Rate Committee Meeting	American Gas Association
May 1987	Pennsylvania Chapter annual meeting	National Association of Water Companies
October 1986	Eighteenth Financial Forum	National Society of Rate of Return
October 1984	Fifth National on Utility Ratemaking Fundamentals	American Bar Association
March 1984	Management Seminar	New York State Telephone Association
February 1983	The Cost of Capital Seminar	Temple University, School of Business Admin.
May 1982	A Seminar on Regulation and The Cost of Capital	New Mexico State University, Center for Business Research and Services
October 1979	Economics of Regulation	Brown University

EVALUATION OF RISK

The rate of return required by investors is directly linked to the perceived level of risk. The greater the risk of an investment, the higher is the required rate of return necessary to compensate for that risk all else being equal. Because investors will seek the highest rate of return available, considering the risk involved, the rate of return must at least equal the investor-required, market-determined cost of capital if public utilities are to attract the necessary investment capital on reasonable terms.

In the measurement of the cost of capital, it is necessary to assess the risk of a firm. The level of risk for a firm is often defined as the uncertainty of achieving expected performance, and is sometimes viewed as a probability distribution of possible outcomes. Hence, if the uncertainty of achieving an expected outcome is high, the risk is also high. As a consequence, high risk firms must offer investors higher returns than low risk firms which pay less to attract capital from investors. This is because the level of uncertainty, or risk of not realizing expected returns, establishes the compensation required by investors in the capital markets. Of course, the risk of a firm must also be considered in the context of its ability to actually experience adequate earnings which conform with a fair rate of return. Thus, if there is a high probability that a firm will not perform well due to fundamentally poor market conditions, investors will demand a higher return.

The investment risk of a firm is comprised of its business risk and financial risk. Business risk is all risk other than financial risk, and is sometimes defined as the staying power of the market demand for a firm's product or service and the resulting inherent uncertainty of realizing expected pre-tax returns on the firm's assets. Business risk encompasses all operating factors, e.g., productivity, competition, management ability, etc. that bear upon the expected pre-tax operating income attributed to the fundamental nature of a firm's business. Financial risk results from a firm's use of borrowed funds (or similar sources of capital with fixed payments) in its capital structure, i.e., financial leverage. Thus, if a firm did not employ financial leverage by borrowing any capital, its investment risk would be represented by its business risk.

It is important to note that in evaluating the risk of regulated companies, financial leverage cannot be considered in the same context as it is for non-regulated companies. Financial leverage has a different meaning for regulated firms than for non-regulated companies. For regulated public utilities, the cost of service formula gives the benefits of financial leverage to consumers in the form of lower revenue requirements. For non-regulated companies, all benefits of financial leverage are retained by the common stockholder. Although retaining none of the benefits, regulated firms bear the risk of financial leverage. Therefore, a regulated firm's rate of return on common equity must recognize the greater financial risk shown by the higher leverage typically employed by public utilities.

Although no single index or group of indices can precisely quantify the relative investment risk of a firm, financial analysts use a variety of indicators to assess that risk. For example, the creditworthiness of a firm is revealed by its bond ratings. If the stock is traded, the price-earnings multiple, dividend yield, and beta coefficients (a statistical measure of a stock's relative volatility to the rest of the market) provide some gauge of overall risk. Other indicators, which are reflective of business risk, include the variability of the rate of return on equity, which is indicative of the uncertainty of actually achieving the expected earnings; operating ratios (the percentage of revenues consumed by operating expenses, depreciation, and taxes other than income tax), which are indicative of profitability; the quality of earnings, which considers the degree to which earnings are the product of accounting principles or cost deferrals; and the level of internally generated funds. Similarly, the proportion of senior capital in a company's capitalization is the measure of financial risk which is often analyzed in the context of the equity ratio (i.e., the complement of the debt ratio).

COST OF EQUITY--GENERAL APPROACH

Through a fundamental financial analysis, the relative risk of a firm must be established prior to the determination of its cost of equity. Any rate of return recommendation which lacks such a basis will inevitably fail to provide a utility with a fair rate of return except by coincidence. With a fundamental risk analysis as a foundation, standard financial models can be employed by using informed judgment. The methods which have been employed to measure the cost of equity include: the Discounted Cash Flow ("DCF") model, the Risk Premium ("RP") approach, the Capital Asset Pricing Model ("CAPM") and the Comparable Earnings ("CE") approach.

The traditional DCF model, while useful in providing some insight into the cost of equity, is not an approach that should be used exclusively. The divergence of stock prices from company-specific fundamentals can provide a misleading cost of equity calculation. As reported in The Wall Street Journal on June 6, 1991, a statistical study published by Goldman Sachs indicated that only 35% of stock price growth in the 1980's could be attributed to earnings and interest rates. Further, 38% of the rise in stock prices during the 1980's was attributed to unknown factors. The Goldman Sachs study highlights the serious limitations of a model, such as DCF, which is founded upon identification of specific variables to explain stock price growth. That is to say, when stock price growth exceeds growth in a company's earnings per share, models such as DCF will misspecify investor expected returns which are comprised of capital gains, as well as dividend receipts. As such, a combination of methods should be used to measure the cost of equity.

The Risk Premium analysis is founded upon the prospective cost of long-term debt, i.e., the yield that the public utility must offer to raise long-term debt capital directly from investors. To that yield must be added a risk premium in recognition of the greater risk of common equity over debt. This additional risk is, of course, attributable to the fact that the payment of interest and principal to creditors has priority over the payment of dividends and return of capital to equity investors. Hence, equity investors require a higher rate of return than the yield on long-term corporate bonds.

The CAPM is a model not unlike the traditional Risk Premium. The CAPM employs the yield on a risk-free interest-bearing obligation plus a premium as compensation for risk. Aside from the reliance on the risk-free rate of return, the CAPM gives specific quantification to systematic (or market) risk as measured by beta.

The Comparable Earnings approach measures the returns expected/experienced by other non-regulated firms and has been used extensively in rate of return analysis for over a half century. However, its popularity diminished in the 1970s and 1980s with the popularization of market-based models. Recently, there has been renewed interest in this approach. Indeed, the financial community has expressed the view that the regulatory process must consider the returns which are being achieved in the non-regulated sector so that public utilities can compete effectively in the capital markets. Indeed, with additional competition being introduced throughout the traditionally regulated public utility industry, returns expected to be realized by non-regulated firms have become increasing relevant in the ratesetting process. The Comparable Earnings approach considers directly those requirements and it fits the established standards for a fair rate of return set forth in the Bluefield decision. The Bluefield decisions requires that a fair return for a utility must be equal to that earned by firms of comparable risk.

DISCOUNTED CASH FLOW ANALYSIS

Discounted Cash Flow ("DCF") theory seeks to explain the value of an economic or financial asset as the present value of future expected cash flows discounted at the appropriate risk-adjusted rate of return. Thus, if $100 is to be received in a single payment 10 years subsequent to the acquisition of an asset, and the appropriate risk-related interest rate is 8%, the present value of the asset would be $46.32 (Value = $100 ÷ $(1.08)^{10}$) arising from the discounted future cash flow. Conversely, knowing the present $46.32 price of an asset (where price = value), the $100 future expected cash flow to be received 10 years hence shows an 8% annual rate of return implicit in the price and future cash flows expected to be received.

In its simplest form, the DCF theory considers the number of years from which the cash flow will be derived and the annual compound interest rate which reflects the risk or uncertainty associated with the cash flows. It is appropriate to reiterate that the dollar values to be discounted are future cash flows.

DCF theory is flexible and can be used to estimate value (or price) or the annual required rate of return under a wide variety of conditions. The theory underlying the DCF methodology can be easily illustrated by utilizing the investment horizon associated with a preferred stock not having an annual sinking fund provision. In this case, the investment horizon is infinite, which reflects the perpetuity of a preferred stock. If *P* represents price, *Kp* is the required rate of return on a preferred stock, and *D* is the annual dividend (*P* and *D* with time subscripts), the value of a preferred share is equal to the present value of the dividends to be received in the future discounted at the appropriate risk-adjusted interest rate, *Kp*. In this circumstance:

$$P_0 = \frac{D_1}{(1+Kp)} + \frac{D_2}{(1+Kp)^2} + \frac{D_3}{(1+Kp)^3} + \ldots + \frac{D_n}{(1+Kp)^n}$$

If $D_1 = D_2 = D_3 = \ldots D_n$ as is the case for preferred stock, and n approaches infinity, as is the case for non-callable preferred stock without a sinking fund, then this equation reduces to:

$$P_0 = \frac{D_1}{Kp}$$

This equation can be used to solve for the annual rate of return on a preferred stock when the current price and subsequent annual dividends are known. For example, with D_1 = \$1.00, and P_0 = \$10, then Kp = \$1.00 ÷ \$10, or 10%.

The dividend discount equation, first shown, is the generic DCF valuation model for all equities, both preferred and common. While preferred stock generally pays a constant dividend, permitting the simplification subsequently noted, common stock dividends are not constant. Therefore, absent some other simplifying condition, it is necessary to rely upon the generic form of the DCF. If, however, it is assumed that $D_1, D_2, D_3, \ldots D_n$ are systematically related to one another by a constant growth rate (g), so that $D_0\,(1 + g) = D_1$, $D_1\,(1 + g) = D_2$, $D_2\,(1 + g) = D_3$ and so on approaching infinity, and if Ks (the required rate of return on a common stock) is greater than g, then the DCF equation can be reduced to:

$$P_0 = \frac{D_1}{Ks - g} \quad or \quad P_0 = \frac{D_0\,(1+g)}{Ks - g}$$

which is the periodic form of the "Gordon" model.[1] Proof of the DCF equation is found in all modern basic finance textbooks. This DCF equation can be easily solved as:

$$Ks = \frac{D_0\,(1+g)}{P_0} + g$$

which is the periodic form of the Gordon Model commonly applied in estimating equity rates of return in rate cases. When used for this purpose, Ks is the annual rate of return on common equity demanded by investors to induce them to hold a firm's common stock. Therefore, the variables D_0, P_0 and g must be estimated in the context of the market for equities, so that the rate of return, which a public utility is permitted the opportunity to earn, has meaning and reflects the investor-required cost rate.

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[1] Although the popular application of the DCF model is often attributed to the work of Myron J. Gordon in the mid-1950's, J. B. Williams exposited the DCF model in its present form nearly two decades earlier.

Application of the Gordon model with market derived variables is straightforward. For example, using the most recent prior annualized dividend *(D_0)* of $0.80, the current price *(P_0)* of $10.00, and the investor expected dividend growth rate *(g)* of 5%, the solution of the DCF formula provides a 13.4% rate of return. The dividend yield component in this instance is 8.4%, and the capital gain component is 5%, which together represent the total 13.4% annual rate of return required by investors. The capital gain component of the total return may be calculated with two adjacent future year prices. For example, in the eleventh year of the holding period, the price per share would be $17.10 as compared with the price per share of $16.29 in the tenth year which demonstrates the 5% annual capital gain yield.

Some DCF devotees believe that it is more appropriate to estimate the required return on equity with a model which permits the use of multiple growth rates. This may be a plausible approach to DCF, where investors expect different dividend growth rates in the near term and long run. If two growth rates, one near term and one long-run, are to be used in the context of a price *(P_0)* of $10.00, a dividend *($D_0$)* of $0.80, a near-term growth rate of 5.5%, and a long-run expected growth rate of 5.0% beginning at year 6, the required rate of return is 13.57% solved with a computer by iteration.

Use of DCF in Ratesetting

The DCF method can provide a misleading measure of the cost of equity in the ratesetting process when stock prices diverge from book values by a meaningful margin. When the difference between share values and book values is significant, the results from the DCF can result in a misspecified cost of equity when those results are applied to book value. This is because investor expected returns, as described by the DCF model, are related to the market value of common stock. This discrepancy is shown by the following example. If it is assumed, hypothetically, that investors require a 12.5% return on their common stock investment value (i.e., the market price per share) when share values represent 150% of book value, investors would require a total annual return of $1.50 per share on a $12.00 market value to realize their expectations. If, however, this 12.5% market-determined cost rate is applied to an original cost rate base which is equivalent to the book value of common stock of $8.00 per share, the utility's actual earnings per share would be only $1.00. This would result in a $.50 per share earnings shortfall which would deny the utility the ability to satisfy investor expectations.

As a consequence, a utility could not withstand these DCF results applied in a rate case and also sustain its financial integrity. This is because $1.00 of earnings per share and a 75% dividend payout ratio would provide earnings retention growth of just 3.125% (i.e., $1.00 x .75 = $0.75, and $1.00 - $0.75 = $0.25 ÷ $8.00 = 3.125%). In this example, the earnings retention growth rate plus the 6.25% dividend yield ($0.75 ÷ $12.00) would equal 9.375% (6.25% + 3.125%) as indicated by the DCF model. This DCF result is the same as the utility's rate of dividend payments on its book value (i.e., $0.75 ÷ $8.00 = 9.375%). This situation provides the utility with no earnings cushion for its dividend payment because the DCF result equals the dividend rate on book value (i.e., both rates are 9.375% in the example). Moreover, if the price employed in my example were higher than 150% of book value, a "negative" earnings cushion would develop and cause the need for a dividend reduction because the DCF result would be less than the dividend rate on book value. For these reasons, the usefulness of the DCF method significantly diminishes as market prices and book values diverge.

Further, there is no reason to expect that investors would necessarily value utility stocks equal to their book value. In fact, it is rare that utility stocks trade at book value. Moreover, high market-to-book ratios may be reflective of general market sentiment. Were regulators to use the results of a DCF model, that fails to produce the required return when applied to an original cost rate base, they would penalize a company with high market-to-book ratios. This clearly would penalize a regulated firm and its investors that purchased the stock at its current price. When investor expectations are not fulfilled, the market price per share will decline and a new, different equity cost rate would be indicated from the lower price per share. This condition suggests that the current price would be subject to disequilibrium and would not allow a reasonable calculation of the cost of equity. This situation would also create a serious disincentive for management initiative and efficiency. Within that framework, a perverse set of goals and rewards would result, i.e., a high authorized rate of return in a rate case would be the reward for poor financial performance, while low rates of return would be the reward for good financial performance. As such, the DCF results should not be used alone to determine the cost of equity, but should be used along with other complementary methods.

Dividend Yield

The historical annual dividend yield for the Water Group is shown on Schedule 3. The 2001-2005 five-year average dividend yield was 3.1% for the Water Group. The monthly dividend yields for the past twelve months are shown graphically on Schedule 5. These dividend yields reflect an adjustment to the month-end closing prices to remove the pro rata accumulation of the quarterly dividend amount since the last ex-dividend date.

The ex-dividend date usually occurs two business days before the record date of the dividend (i.e., the date by which a shareholder must own the shares to be entitled to the dividend payment--usually about two to three weeks prior to the actual payment). During a quarter (here defined as 91 days), the price of a stock moves up ratably by the dividend amount as the ex-dividend date approaches. The stock's price then falls by the amount of the dividend on the ex-dividend date. Therefore, it is necessary to calculate the fraction of the quarterly dividend since the time of the last ex-dividend date and to remove that amount from the price. This adjustment reflects normal recurring pricing of stocks in the market, and establishes a price which will reflect the true yield on a stock.

A six-month average dividend yield has been used to recognize the prospective orientation of the ratesetting process as explained in the direct testimony. For the purpose of a DCF calculation, the average dividend yields must be adjusted to reflect the prospective nature of the dividend payments, i.e., the higher expected dividends for the future rather than the recent dividend payment annualized. An adjustment to the dividend yield component, when computed with annualized dividends, is required based upon investor expectation of quarterly dividend increases.

The procedure to adjust the average dividend yield for the expectation of a dividend increase during the initial investment period will be at a rate of one-half the growth component, developed below. The DCF equation, showing the quarterly dividend payments as D_0, may be stated in this fashion:

$$K = \frac{D_0(1+g)^0 + D_0(1+g)^0 + D_0(1+g)^1 + D_0(1+g)^1}{P_0} + g$$

The adjustment factor, based upon one-half the expected growth rate developed in my direct testimony, will be 3.500% (7.00% x .5) for the Water Group, which assumes that two dividend payments will be at the expected higher rate during the initial investment period. Using the six-month average dividend yield as a base, the prospective (forward) dividend yield would be

2.71% (2.62% x 1.03500) for the Water Group.

Another DCF model that reflects the discrete growth in the quarterly dividend *(D_0)* is as follows:

$$K = \frac{D_0(1+g)^{.25} + D_0(1+g)^{.50} + D_0(1+g)^{.75} + D_0(1+g)^{1.00}}{P_0} + g$$

This procedure confirms the reasonableness of the forward dividend yield previously calculated. The quarterly discrete adjustment provides a dividend yield of 2.73% (2.62% x 1.04338) for the Water Group. The use of an adjustment is required for the periodic form of the DCF in order to properly recognize that dividends grow on a discrete basis.

In either of the preceding DCF dividend yield adjustments, there is no recognition for the compound returns attributed to the quarterly dividend payments. Investors have the opportunity to reinvest quarterly dividend receipts. Recognizing the compounding of the periodic quarterly dividend payments *(D_0)*, results in a third DCF formulation:

$$k = \left[\left(1 + \frac{D_0}{P_0}\right)^4 - 1\right] + g$$

This DCF equation provides no further recognition of growth in the quarterly dividend. Combining discrete quarterly dividend growth with quarterly compounding would provide the following DCF formulation, stating the quarterly dividend payments *(D_0)*:

$$k = \left[\left(1 + \frac{D_0(1+g)^{.25}}{P_0}\right)^4 - 1\right] + g$$

A compounding of the quarterly dividend yield provides another procedure to recognize the necessity for an adjusted dividend yield. The unadjusted average quarterly dividend yield was

0.6550% (2.62% ÷ 4) for the Water Group. The compound dividend yield would be 2.69% (1.006662^4-1) for the Water Group, recognizing quarterly dividend payments in a forward-looking manner. These dividend yields conform with investors' expectations in the context of reinvestment of their cash dividend.

For the Water Group, a 2.71% forward-looking dividend yield is the average (2.71% + 2.73% + 2.69% = 8.13% ÷ 3) of the adjusted dividend yield using the form $D_0/P_0\ (1+.5g)$, the dividend yield recognizing discrete quarterly growth, and the quarterly compound dividend yield with discrete quarterly growth.

Growth Rate

If viewed in its infinite form, the DCF model is represented by the discounted value of an endless stream of growing dividends. It would, however, require 100 years of future dividend payments so that the discounted value of those payments would equate to the present price so that the discount rate and the rate of return shown by the simplified Gordon form of the DCF model would be about the same. A century of dividend receipts represents an unrealistic investment horizon from almost any perspective. Because stocks are not held by investors forever, the growth in the share value (i.e., capital appreciation, or capital gains yield) is most relevant to investors' total return expectations. Hence, investor expected returns in the equity market are provided by capital appreciation of the investment as well as receipt of dividends. As such, the sale price of a stock can be viewed as a liquidating dividend which can be discounted along with the annual dividend receipts during the investment holding period to arrive at the investor expected return.

In its constant growth form, the DCF assumes that with a constant return on book common equity and constant dividend payout ratio, a firm's earnings per share, dividends per share and book value per share will grow at the same constant rate, absent any external financing by a firm. Because these constant growth assumptions do not actually prevail in the capital markets, the capital appreciation potential of an equity investment is best measured by the expected growth in earnings per share. Since the traditional form of the DCF assumes no change in the price-earnings multiple, the value of a firm's equity will grow at the same rate as earnings per share. Hence, the capital gains yield is best measured by earnings per share growth using company-specific variables.

Investors consider both historical and projected data in the context of the expected growth rate for a firm. An investor can compute historical growth rates using compound growth rates or growth rate trend lines. Otherwise, an investor can rely upon published growth rates as provided in widely-circulated, influential publications. However, a traditional constant growth DCF analysis that is limited to such inputs suffers from the assumption of no change in the price-earnings multiple, i.e., that the value of a firm's equity will grow at the same rate as earnings. Some of the factors which actually contribute to investors' expectations of earnings growth and which should be considered in assessing those expectations, are: (i) the earnings rate on existing equity, (ii) the portion of earnings not paid out in dividends, (iii) sales of additional common equity, (iv) reacquisition of common stock previously issued, (v) changes in financial leverage, (vi) acquisitions of new business opportunities, (vii) profitable liquidation of assets, and (viii) repositioning of existing assets. The realities of the equity market regarding total return expectations, however, also reflect factors other than these inputs. Therefore, the DCF model contains overly restrictive limitations when the growth component is stated in terms of earnings per share (the basis for the capital gains yield) or dividends per share (the basis for the infinite dividend discount model). In these situations, there is inadequate recognition of the capital gains yields arising from stock price growth which could exceed earnings or dividends growth.

To assess the growth component of the DCF, analysts' projections of future growth influence investor expectations as explained above. One influential publication is The Value Line Investment Survey which contains estimated future projections of growth. The Value Line Investment Survey provides growth estimates which are stated within a common economic environment for the purpose of measuring relative growth potential. The basis for these projections is the Value Line 3 to 5 year hypothetical economy. The Value Line hypothetical economic environment is represented by components and subcomponents of the National Income Accounts which reflect in the aggregate assumptions concerning the unemployment rate, manpower productivity, price inflation, corporate income tax rate, high-grade corporate bond interest rates, and Fed policies. Individual estimates begin with the correlation of sales, earnings and dividends of a company to appropriate components or subcomponents of the future National Income Accounts. These calculations provide a consistent basis for the published forecasts. Value Line's evaluation of a specific company's future prospects are considered in the context of specific operating characteristics that influence the published projections. Of particular importance for regulated firms, Value Line considers the regulatory quality, rates of return recently authorized, the historic ability of the firm to actually experience the authorized rates of return, the firm's budgeted capital spending, the firm's financing forecast, and the dividend payout ratio. The wide circulation of this source and frequent reference to Value Line in financial circles indicate that this publication has an influence on investor judgment with regard to expectations for the future.

There are other sources of earnings growth forecasts. One of these sources is the Institutional Brokers Estimate System ("IBES"). The IBES service provides data on consensus earnings per share forecasts and five-year earnings growth rate estimates. The publisher of IBES has been purchased by Thomson/First Call. The IBES forecasts have been integrated into the First Call consensus growth forecasts. The earnings estimates are obtained from financial analysts at brokerage research departments and from institutions whose securities analysts are projecting earnings for companies in the First Call universe of companies. Other services that tabulate earnings forecasts and publish them are Zacks Investment Research and Market Guide (which is provided over the Internet by Reuters). As with the IBES/First Call forecasts, Zacks and Reuters/Market Guide provide consensus forecasts collected from analysts for most publically traded companies.

In each of these publications, forecasts of earnings per share for the current and subsequent year receive prominent coverage. That is to say, IBES/First Call, Zacks, Reuters/Market Guide, and Value Line show estimates of current-year earnings and projections for the next year. While the DCF model typically focusses upon long-run estimates of growth, stock prices are clearly influenced by current and near-term earnings prospects. Therefore, the near-term earnings per share growth rates should also be factored into a growth rate determination.

Although forecasts of future performance are investor influencing[2], equity investors may also rely upon the observations of past performance. Investors' expectations of future growth rates may be determined, in part, by an analysis of historical growth rates. It is apparent that any serious investor would advise himself/herself of historical performance prior to taking an

[2] As shown in a National Bureau of Economic Research monograph by John G. Cragg and Burton G. Malkiel, Expectations and the Structure of Share Prices, University of Chicago Press 1982.

investment position in a firm. Earnings per share and dividends per share represent the principal financial variables which influence investor growth expectations.

Other financial variables are sometimes considered in rate case proceedings. For example, a company's internal growth rate, derived from the return rate on book common equity and the related retention ratio, is sometimes considered. This growth rate measure is represented by the Value Line forecast "*B*x*R*" shown on Schedule 7 Internal growth rates are often used as a proxy for book value growth. Unfortunately, this measure of growth is often not reflective of investor-expected growth. This is especially important when there is an indication of a prospective change in dividend payout ratio, earned return on book common equity, change in market-to-book ratios or other fundamental changes in the character of the business. Nevertheless, I have also shown the historical and projected growth rates in book value per share and internal growth rates.

Leverage Adjustment

As noted previously, the divergence of stock prices from book values creates a conflict within the DCF model when the results of a market-derived cost of equity are applied to the common equity account measured at book value in the ratesetting context. This is the situation today where the market price of stock exceeds its book value for most companies. This divergence of price and book value also creates a financial risk difference, whereby the capitalization of a utility measured at its market value contains relatively less debt and more equity than the capitalization measured at its book value. It is a well-accepted fact of financial theory that a relatively higher proportion of equity in the capitalization has less financial risk than another capital structure more heavily weighted with debt. This is the situation for the Water Group where the market value of its capitalization contains more equity than is shown by the book capitalization. The following comparison demonstrates this situation where the market capitalization is developed by taking the "Fair Value of Financial Instruments" (Disclosures about Fair Value of Financial Instruments -- Statement of Financial Accounting Standards ("FAS") No. 107) as shown in the annual report for these companies and the market value of the common equity using the price of stock. The comparison of capital structure ratios is:

Water Group	Capitalization at Market Value (Fair Value)	Capitalization at Book Value (Carrying Amounts)
Long-term Debt	29.69%	48.96%
Preferred Stock	0.24	0.37
Common Equity	70.07	50.67
Total	100.00%	100.00%

With regard to the capital structure ratios represented by the carrying amounts shown above, there are some variances from the ratios shown on Schedule 3. These variances arise from the use of balance sheet values in computing the capital structure ratios shown on Schedule 3 and the use of the Carrying Amounts of the Financial Instruments according to FAS 107 (the Carrying Amounts were used in the table shown above to be comparable to the Fair Value amounts used in the comparison calculations).

With the capital ratios calculated above, is necessary to first calculate the cost of equity for a firm without any leverage. The cost of equity for an unleveraged firm using the capital structure ratios calculated with market values is:

$$ku = ke - (((ku - i)\ 1\text{-}t)\ D / E) - (ku - d)\ P / E$$

$$8.96\% = 9.71\% - (((8.96\% - 6.28\%)\ .65)\ 29.69\%/70.07\%) - (8.96\% - 6.28\%)\ 0.24\%/70.07\%$$

where *ku* = cost of equity for an all-equity firm, *ke* = market determined cost equity, *i* = cost of debt[3], *d* = dividend rate on preferred stock[4], *D* = debt ratio, *P* = preferred stock ratio, and *E* = common equity ratio. The formula shown above indicates that the cost of equity for a firm with 100% equity is 8.96% using the market value of the Water Group's capitalization. Having determined that the cost of equity is 8.96% for a firm with 100% equity, the rate of return on common equity associated with the book value capital structure is:

$$ke = ku + (((ku - i)\ 1\text{-}t)\ D / E) + (ku - d)\ P / E$$

$$10.66\% = 8.96\% + (((8.96\% - 6.28\%).65)\ 48.96\%/50.67\%) + (8.96\% - 6.28\%)\ 0.37\%/50.67\%$$

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[3] The cost of debt is the six-month average yield on Moody's A rated public utility bonds.

[4] The cost of preferred is the six-month average yield on Moody's "a" rated preferred stock.

FLOTATION COST ADJUSTMENT

The rate of return on common equity must be high enough to avoid dilution when additional common equity is issued. In this regard, the rate of return on book common equity for public utilities requires recognition of specific factors other than just the market-determined cost of equity. A market price of common stock above book value is necessary to attract future capital on reasonable terms in competition with other seekers of equity capital. Non-regulated companies traditionally have experienced common stock prices consistently above book value. For a public utility to be competitive in the capital markets, similar recognition should be provided, given the understated value of net plant investment which is represented by historical costs much lower than current cost. Moreover, the market value of a public utility stock must be above book value to provide recognition of market pressure, issuance and selling expenses which reduce the net proceeds realized from the sale of new shares of common stock. A market price of stock above book value will maintain the financial integrity of shares previously issued and is necessary to avoid dilution when new shares are offered.

The rate of return on common equity should provide for the underwriting discount and company issuance expenses associated with the sale of new common stock. It is the net proceeds, after payment of these costs that are available to the company, because the issuance costs are paid from the initial offering price to the public. Market pressure occurs when the news of an impending issue of new common shares impacts the pre-offering price of stock. The stock price often declines because of the prospect of an increase in the supply of shares. The difficulty encountered in measuring market pressure relates to the time frame considered, general market conditions, and management action during the offering period. An indication of negative market pressure could be the product of the techniques employed to measure pressure and not the prospect of an additional supply of shares related to the new issue.

Even in the situation where a company will not issue common stock during the near term, the flotation cost adjustment factor should be applied to the common equity cost rate. A public utility must be in a competitive capital attraction posture at all times. To deny recognition of a market value of equity above book value would be discriminatory when other comparable companies receive an allowance in this regard. Moreover, to reduce the return rate on common equity by failing to recognize this factor would likewise result in a company being less competitive in the bond market, because a lower resulting overall rate of return would provide less competitive fixed-charge coverage. It cannot be said that a public utility's stock price already considers an allowance for flotation costs. This is because investors in either fixed-income bonds or common stocks seek their required rate of return by reference to alternative investment opportunities, and are not concerned with the issuance costs incurred by a firm borrowing long-term debt or issuing common equity.

Historical data concerning issuance and selling expenses (excluding market pressure) is shown on Schedule 8. To adjust for the cost of raising new common equity capital, the rate of return on common equity should recognize an appropriate multiple in order to allow for a market price of stock above book value. This would provide recognition for flotation costs, which are shown to be 4.9% for public offerings of common stocks by water companies from 2001 to 2005. Because these costs are not recovered elsewhere, they must be recognized in the rate of return. Since I apply the flotation cost to the entire cost of equity, I have only used a modification factor of 1.02 which is applied to the unadjusted DCF measure of the cost of equity to cover issuance expense. If the modification factor were applied to only a portion of the cost of equity, such as just the dividend yield, then a higher factor would be necessary.

INTEREST RATES

Interest rates can be viewed in their traditional nominal terms (i.e., the stated rate of interest) and in real terms (i.e., the stated rate of interest less the expected rate of inflation). Absent consideration of inflation, the real rate of interest is determined generally by supply factors which are influenced by investors willingness to forego current consumption (i.e., to save) and demand factors that are influenced by the opportunities to derive income from productive investments. Added to the real rate of interest is compensation required by investors for the inflationary impact of the declining purchasing power of their income received in the future. While interest rates are clearly influenced by the changing annual rate of inflation, it is important to note that the expected rate of inflation, that is reflected in current interest rates, may be quite different than the prevailing rate of inflation.

Rates of interest also vary by the type of interest bearing instrument. Investors require compensation for the risk associated with the term of the investment and the risk of default. The risk associated with the term of the investment is usually shown by the yield curve, i.e., the difference in rates across maturities. The typical structure is represented by a positive yield curve which provides progressively higher interest rates as the maturities are lengthened. Flat (i.e., relatively level rates across maturities) or inverted (i.e., higher short-term rates than long-term rates) yield curves occur less frequently.

The risk of default is typically associated with the creditworthiness of the borrower. Differences in interest rates can be traced to the credit quality ratings assigned by the bond rating agencies, such as Moody's Investors Service, Inc. and Standard & Poor's Corporation. Obligations of the United States Treasury are usually considered to be free of default risk, and hence reflect only the real rate of interest, compensation for expected inflation, and maturity risk. The Treasury has been issuing inflation-indexed notes which automatically provide compensation to investors for future inflation, thereby providing a lower current yield on these issues.

Interest Rate Environment

Federal Reserve Board ("Fed") policy actions which impact directly short-term interest rates also substantially affect investor sentiment in long-term fixed-income securities markets. In this regard, the Fed has often pursued policies designed to build investor confidence in the fixed-income securities market. Formative Fed policy has had a long history, as exemplified by the historic 1951 Treasury-Federal Reserve Accord, and more recently, deregulation within the financial system which increased the level and volatility of interest rates. The Fed has indicated that it will follow a monetary policy designed to promote non-inflationary economic growth.

As background to the recent levels of interest rates, history shows that the Open Market Committee of the Federal Reserve board ("FOMC") began a series of moves toward lower short-term interest rates in mid-1990 -- at the outset of the previous recession. Monetary policy was influenced at that time by (i) steps taken to reduce the federal budget deficit, (ii) slowing economic growth, (iii) rising unemployment, and (iv) measures intended to avoid a credit crunch. Thereafter, the Federal government initiated several bold proposals to deal with future borrowings by the Treasury. With lower expected federal budget deficits and reduced Treasury borrowings, together with limitations on the supply of new 30-year Treasury bonds, long-term interest rates declined to a twenty-year low, reaching a trough of 5.78% in October 1993.

On February 4, 1994, the FOMC began a series of increases in the Fed Funds rate (i.e., the interest rate on excess overnight bank reserves). The initial increase represented the first rise in short-term interest rates in five years. The series of seven increases doubled the Fed Funds rate to 6%. The increases in short-term interest rates also caused long-term rates to move up, continuing a trend which began in the fourth quarter of 1993. The cyclical peak in long-term interest rates was reached on November 7 and 14, 1994 when 30-year Treasury bonds attained an 8.16% yield. Thereafter, long-term Treasury bond yields generally declined.

Beginning in mid-February 1996, long-term interest rates moved upward from their previous lows. After initially reaching a level of 6.75% on March 15, 1996, long-term interest rates continued to climb and reached a peak of 7.19% on July 5 and 8, 1996. For the period leading up to the 1996 Presidential election, long-term Treasury bonds generally traded within this range. After the election, interest rates moderated, returning to a level somewhat below the previous trading range. Thereafter, in December 1996, interest rates returned to a range of 6.5% to 7.0% which existed for much of 1996.

On March 25, 1997, the FOMC decided to tighten monetary conditions through a one-quarter percentage point increase in the Fed Funds rate. This tightening increased the Fed Funds rate to 5.5%. In making this move, the FOMC stated that it was concerned by persistent strength of demand in the economy, which it feared would increase the risk of inflationary imbalances that could eventually interfere with the long economic expansion.

In the fourth quarter of 1997, the yields on Treasury bonds began to decline rapidly in response to an increase in demand for Treasury securities caused by a flight to safety triggered by the currency and stock market crisis in Asia. Liquidity provided by the Treasury market makes these bonds an attractive investment in times of crisis. This is because Treasury securities encompass a very large market which provides ease of trading and carry a premium for safety. During the fourth quarter of 1997, Treasury bond yields pierced the psychologically important 6% level for the first time since 1993.

Through the first half of 1998, the yields on long-term Treasury bonds fluctuated within a range of about 5.6% to 6.1% reflecting their attractiveness and safety. In the third quarter of 1998, there was further deterioration of investor confidence in global financial markets. This loss of confidence followed the moratorium (i.e., default) by Russia on its sovereign debt and fears associated with problems in Latin America. While not significant to the global economy in the aggregate, the August 17 default by Russia had a significant negative impact on investor confidence, following earlier discontent surrounding the crisis in Asia. These events subsequently led to a general pull back of risk-taking as displayed by banks growing reluctance to lend, worries of an expanding credit crunch, lower stock prices, and higher yields on bonds of riskier companies. These events contributed to the failure of the hedge fund, Long-Term Capital Management.

In response to these events, the FOMC cut the Fed Funds rate just prior to the mid-term Congressional elections. The FOMC's action was based upon concerns over how increasing weakness in foreign economies would affect the U.S. economy. As recently as July 1998, the FOMC had been more concerned about fighting inflation than the state of the economy. The initial rate cut was the first of three reductions by the FOMC. Thereafter, the yield on long-term Treasury bonds reached a 30-year low of 4.70% on October 5, 1998. Long-term Treasury yields below 5% had not been seen since 1967. Unlike the first rate cut that was widely anticipated, the second rate reduction by the FOMC was a surprise to the markets. A third reduction in short-term interest rates occurred in November 1998 when the FOMC reduced the Fed Funds rate to 4.75%.

All of these events prompted an increase in the prices for Treasury bonds which lead to the low yields described above. Another factor that contributed to the decline in yields on long-term Treasury bonds was a reduction in the supply of new Treasury issues coming to market due to the Federal budget surplus -- the first in nearly 30 years. The dollar amount of Treasury bonds being issued declined by 30% in two years thus resulting in higher prices and lower yields. In addition, rumors of some struggling hedge funds unwinding their positions further added to the gains in Treasury bond prices.

The financial crisis that spread from Asia to Russia and to Latin America pushed nervous investors from stocks into Treasury bonds, thus increasing demand for bonds, just when supply was shrinking. There was also a move from corporate bonds to Treasury bonds to take advantage of appreciation in the Treasury market. This resulted in a certain amount of exuberance for Treasury bond investments that formerly was reserved for the stock market. Moreover, yields in the fourth quarter of 1998 became extremely volatile as shown by Treasury yields that fell from 5.10% on September 29 to 4.70 percent on October 5, and thereafter returned to 5.10% on October 13. A decline and rebound of 40 basis points in Treasury yields in a two-week time frame is remarkable.

Beginning in mid-1999, the FOMC raised interest rates on six occasions reversing its actions in the fall of 1998. On June 30, 1999, August 24, 1999, November 16, 1999, February 2, 2000, March 21, 2000, and May 16, 2000, the FOMC raised the Fed Funds rate to 6.50%. This brought the Fed Funds rate to its highest level since 1991, and was 175 basis points higher than the level that occurred at the height of the Asian currency and stock market crisis. At the time, these actions were taken in response to more normally functioning financial markets, tight labor markets, and a reversal of the monetary ease that was required earlier in response to the global financial market turmoil.

As the year 2000 drew to a close, economic activity slowed and consumer confidence began to weaken. In two steps at the beginning and at the end of January 2001, the FOMC reduced the Fed Funds rate by one percentage point. These actions brought the Fed Funds rate to 5.50%. The FOMC described its actions as "a rapid and forceful response of monetary policy" to eroding consumer and business confidence exemplified by weaker retail sales and business spending on capital equipment and cut backs in manufacturing production. Subsequently, on March 20, 2001, April 18, 2001, May 15, 2001, June 27, 2001, and August 21, 2001, the FOMC lowered the Fed Funds in steps consisting of three 50 basis points decrements followed by two 25 basis points decrements. These actions took the Fed Funds rate to 3.50%. The FOMC observed on August 21, 2001:

> "Household demand has been sustained, but business profits and capital spending continue to weaken and growth abroad is slowing, weighing on the U.S. economy. The associated easing of pressures on labor and product markets is expected to keep

> inflation contained.
>
> Although long-term prospects for productivity growth and the economy remain favorable, the Committee continues to believe that against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the risks are weighted mainly toward conditions that may generate economic weakness in the foreseeable future."

After the terrorist attack on September 11, 2001, the FOMC made two additional 50 basis points reductions in the Fed Funds rate. The first reduction occurred on September 17, 2001 and followed the four-day closure of the financial markets following the terrorist attacks. The second reduction occurred at the October 2 meeting of the FOMC where it observed:

> "The terrorist attacks have significantly heightened uncertainty in an economy that was already weak. Business and household spending as a consequence are being further damped. Nonetheless, the long-term prospects for productivity growth and the economy remain favorable and should become evident once the unusual forces restraining demand abate."

Afterward, the FOMC reduced the Fed Funds rate by 50 basis points on November 6, 2001 and by 25 basis points on December 11, 2001. In total, short-term interest rates were reduced by the FOMC eleven (11) times during the year 2001. These actions cut the Fed Funds rate by 4.75% and resulted in 1.75% for the Fed Funds rate.

In an attempt to deal with weakening fundamentals in the economy recovering from the recession that began in March 2001, the FOMC provided a psychologically important one-half percentage point reduction in the federal funds rate. The rate cut was twice as large as the market expected, and brought the fed funds rate to 1.25% on November 6, 2002. The FOMC stated that:

> "The Committee continues to believe that an accommodative stance of monetary policy, coupled with still-robust underlying growth in productivity, is providing important ongoing support to economic activity. However, incoming economic data have tended to confirm that greater uncertainty, in part attributable to heightened geopolitical risks, is currently inhibiting spending, production, and employment. Inflation and inflation expectations remain well contained.
>
> In these circumstances, the Committee believes that today's additional monetary easing should prove helpful as the economy

> works its way through this current soft spot. With this action, the Committee believes that, against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the risks are balanced with respect to the prospects for both goals in the foreseeable future."

As 2003 unfolded, there was a continuing expectation of lower yields on Treasury securities. In fact, the yield on ten-year Treasury notes reached a 45-year low near the end of the second quarter of 2003. For long-term Treasury bonds, those yields culminated with a 4.24% yield on June 13, 2003. Soon thereafter, the FOMC reduced the Fed Funds rate by 25 basis points on June 25, 2003. In announcing its action, the FOMC stated:

> "The Committee continues to believe that an accommodative stance of monetary policy, coupled with still robust underlying growth in productivity, is providing important ongoing support to economic activity. Recent signs point to a firming in spending, markedly improved financial conditions, and labor and product markets that are stabilizing. The economy, nonetheless, has yet to exhibit sustainable growth. With inflationary expectations subdued, the Committee judged that a slightly more expansive monetary policy would add further support for an economy which it expects to improve over time."

Thereafter, intermediate and long-term Treasury yields moved marketedly higher. Higher yields on long-term Treasury bonds, which exceeded 5.00% can be traced to: (i) the market's disappointment that the Fed Funds rate was not reduced below 1.00%, (ii) an indication that the Fed will not use unconventional methods for implementing monetary policy, (iii) growing confidence in a strengthening economy, and (iv) a Federal budget deficit that is projected to be $455 billion in 2003 (reported, subsequently, the actually deficit was $374 billion) and $475 billion in 2004 (revised subsequently, the estimated deficit is $500 billion in 2004). All these factors significantly changed the seniment in the bond market.

For the remainder of 2003, the FOMC continued with its balanced monetary policy, thereby retaining the 1% Fed Funds rate. However, in 2004, the FOMC initiated a policy of moving toward a more neutral Fed Funds rate (i.e., removing the bias of abnormal low rates). On June 30, 2004, August 10, 2004, September 21, 2004, November 10, 2004, December 14, 2004, February 2, 2005, March 22, 2005, May 3, 2005, June 30, 2005, August 9, 2005, September 20, 2005, November 1, 2005, December 13, 2005, January 31, 2006, March 28, 2006, May 10, 2006, and June 29, 2006, the FOMC increased the Fed Funds rate in seventeen

25 basis point increments. These policy actions are widely interpreted as part of the process of moving toward a more neutral range for the Fed Funds rate. In its September 20, 2006 press release, the FOMC stated:

> "The moderation in economic growth appears to be continuing, partly reflecting a cooling of the housing market.
>
> Readings on core inflation have been elevated, and the high levels of resource utilization and of the prices of energy and other commodities have the potential to sustain inflation pressures. However, inflation pressures seem likely to moderate over time, reflecting reduced impetus from energy prices, contained inflation expectations, and the cumulative effects of monetary policy actions and other factors restraining aggregate demand.
>
> Nonetheless, the Committee judges that some inflation risks remain. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information."

Public Utility Bond Yields

The Risk Premium analysis of the cost of equity is represented by the combination of a firm's borrowing rate for long-term debt capital plus a premium that is required to reflect the additional risk associated with the equity of a firm as explained in Appendix G. Due to the senior nature of the long-term debt of a firm, its cost is lower than the cost of equity due to the prior claim which lenders have on the earnings and assets of a corporation.

As a generalization, all interest rates track to varying degrees of the benchmark yields established by the market for Treasury securities. Public utility bond yields usually reflect the underlying Treasury yield associated with a given maturity plus a spread to reflect the specific credit quality of the issuing public utility. Market sentiment can also have an influence on the spreads as described below. The spread in the yields on public utility bonds and Treasury bonds varies with market conditions, as does the relative level of interest rates at varying maturities shown by the yield curve.

Pages 1 and 2 of Schedule 9 provide the recent history of long-term public utility bond yields for the rating categories of Aa, A and Baa (no yields are shown for Aaa rated public utility bonds because this index has been discontinued). The top four rating categories of Aaa, Aa, A, and Baa are known as "investment grades" and are generally regarded as eligible for bank investments under commercial banking regulations. These investment grades are distinguished from "junk" bonds which have ratings of Ba and below.

A relatively long history of the spread between the yields on long-term A-rated public utility bonds and 20-year Treasury bonds is shown on page 3 of Schedule 9. There, it is shown that those spreads were about the one percentage during for the years 1994 through 1997. With the aversion to risk and flight to quality described earlier, a significant widening of the spread in the yields between corporate (e.g., public utility) and Treasury bonds developed in 1998, after an initial widening of the spread that began in the fourth quarter of 1997. The significant widening of spreads in 1998 was unexpected by some technically savvy investors, as shown by the debacle at the Long-Term Capital Management hedge fund. When Russia defaulted its debt on August 17, some investors had to cover short positions when Treasury prices spiked upward. Short covering by investors that guessed wrong on the relationship between corporate and Treasury bonds also contributed to run-up in Treasury bond prices by increasing the demand for them. This helped to contribute to a widening of the spreads between corporate and Treasury bonds.

As shown on page 3 of Schedule 9, the spread in yields between A-rated public utility bonds and 20-year Treasury bonds were about one percentage point prior to 1998, 1.32% in 1998, 1.42% in 1999, 2.01% in 2000, 2.13% in 2001, 1.94% in 2002, 1.62% in 2003, 1.12% in 2004, and 1.01% in 2005. As shown by the monthly data presented on pages 4 and 5 of Schedule 9, the interest rate spread between the yields on 20-year Treasury bonds and A-rated public utility bonds was 1.08 percentage points for the twelve-months ended August 2006. For the six- and three-month periods ending August 2006, the yield spread was 1.09% and 1.12%, respectively.

Risk-Free Rate of Return in the CAPM

Regarding the risk-free rate of return (see Appendix H), pages 2 and 3 of Schedule 11 provide the yields on the broad spectrum of Treasury Notes and Bonds. Some practitioners of the CAPM would advocate the use of short-term treasury yields (and some would argue for the yields on 91-day Treasury Bills). Other advocates of the CAPM would advocate the use of longer-term treasury yields as the best measure of a risk-free rate of return. As Ibbotson has indicated:

> The Cost of Capital in a Regulatory Environment. When discounting cash flows projected over a long period, it is necessary to discount them by a long-term cost of capital. Additionally, regulatory processes for setting rates often specify or suggest that the desired rate of return for a regulated firm is that which would allow the firm to attract and retain debt and equity capital over the long term. Thus, the long-term cost of capital is typically the appropriate cost of capital to use in regulated ratesetting. (Stocks, Bonds, Bills and Inflation - 1992 Yearbook, pages 118-119)

As indicated above, long-term Treasury bond yields represent the correct measure of the risk-free rate of return in the traditional CAPM. Very short term yields on Treasury bills should be avoided for several reasons. First, rates should be set on the basis of financial conditions that will exist during the effective period of the proposed rates. Second, 91-day Treasury bill yields are more volatile than longer-term yields and are greatly influenced by FOMC monetary policy, political, and economic situations. Moreover, Treasury bill yields have been shown to be empirically inadequate for the CAPM. Some advocates of the theory would argue that the risk-free rate of return in the CAPM should be derived from quality long-term corporate bonds.

RISK PREMIUM ANALYSIS

The cost of equity requires recognition of the risk premium required by common equities over long-term corporate bond yields. In the case of senior capital, a company contracts for the use of long-term debt capital at a stated coupon rate for a specific period of time and in the case of preferred stock capital at a stated dividend rate, usually with provision for redemption through sinking fund requirements. In the case of senior capital, the cost rate is known with a high degree of certainty because the payment for use of this capital is a contractual obligation, and the future schedule of payments is known. In essence, the investor-expected cost of senior capital is equal to the realized return over the entire term of the issue, absent default.

The cost of equity, on the other hand, is not fixed, but rather varies with investor perception of the risk associated with the common stock. Because no precise measurement exists as to the cost of equity, informed judgment must be exercised through a study of various market factors which motivate investors to purchase common stock. In the case of common equity, the realized return rate may vary significantly from the expected cost rate due to the uncertainty associated with earnings on common equity. This uncertainty highlights the added risk of a common equity investment.

As one would expect from traditional risk and return relationships, the cost of equity is affected by expected interest rates. As noted in Appendix F, yields on long-term corporate bonds traditionally consist of a real rate of return without regard to inflation, an increment to reflect investor perception of expected future inflation, the investment horizon shown by the term of the issue until maturity, and the credit risk associated with each rating category.

The Risk Premium approach recognizes the required compensation for the more risky common equity over the less risky secured debt position of a lender. The cost of equity stated in terms of the familiar risk premium approach is:

$$k=i+RP$$

where, the cost of equity *("k")* is equal to the interest rate on long-term corporate debt *("i")*, plus an equity risk premium *("RP")* which represents the additional compensation for the riskier common equity.

Equity Risk Premium

The equity risk premium is determined as the difference in the rate of return on debt capital and the rate of return on common equity. Because the common equity holder has only a residual claim on earnings and assets, there is no assurance that achieved returns on common equities will equal expected returns. This is quite different from returns on bonds, where the investor realizes the expected return during the entire holding period, absent default. It is for this reason that common equities are always more risky than senior debt securities. There are investment strategies available to bond portfolio managers that immunize bond returns against fluctuations in interest rates because bonds are redeemed through sinking funds or at maturity, whereas no such redemption is mandated for public utility common equities.

It is well recognized that the expected return on more risky investments will exceed the required yield on less risky investments. Neither the possibility of default on a bond nor the maturity risk detracts from the risk analysis, because the common equity risk rate differential (i.e., the investor-required risk premium) is always greater than the return components on a bond. It should also be noted that the investment horizon is typically long-run for both corporate debt and equity, and that the risk of default (i.e., corporate bankruptcy) is a concern to both debt and equity investors. Thus, the required yield on a bond provides a benchmark or starting point with which to track and measure the cost rate of common equity capital. There is no need to segment the bond yield according to its components, because it is the total return demanded by investors that is important for determining the risk rate differential for common equity. This is because the complete bond yield provides the basis to determine the differential, and as such, consistency requires that the computed differential must be applied to the complete bond yield when applying the risk premium approach. To apply the risk rate differential to a partial bond yield would result in a misspecification of the cost of equity because the computed differential was initially determined by reference to the entire bond return.

The risk rate differential between the cost of equity and the yield on long-term corporate bonds can be determined by reference to a comparison of holding period returns (here defined as one year) computed over long time spans. This analysis assumes that over long periods of time investors' expectations are on average consistent with rates of return actually achieved. Accordingly, historical holding period returns must not be analyzed over an unduly short period because near-term realized results may not have fulfilled investors' expectations. Moreover, specific past period results may not be representative of investment fundamentals expected for the future. This is especially apparent when the holding period returns include negative returns which are not representative of either investor requirements of the past or investor expectations for the future. The short-run phenomenon of unexpected returns (either positive or negative) demonstrates that an unduly short historical period would not adequately support a risk premium analysis. It is important to distinguish between investors' motivation to invest, which encompass positive return expectations, and the knowledge that losses can occur. No rational investor would forego payment for the use of capital, or expect loss of principal, as a basis for investing. Investors will hold cash rather than invest with the expectation of a loss.

Within these constraints, page 1 of Schedule 10 provides the historical holding period returns for the S&P Public Utility Index which has been independently computed and the historical holding period returns for the S&P Composite Index which have been reported in Stocks, Bonds, Bills and Inflation published by Ibbotson & Associates. The tabulation begins with 1928 because January 1928 is the earliest monthly dividend yield for the S&P Public Utility Index. I have considered all reliable data for this study to avoid the introduction of a particular bias to the results. The measurement of the common equity return rate differential is based upon actual capital market performance using realized results. As a consequence, the underlying data for this risk premium approach can be analyzed with a high degree of precision. Informed professional judgment is required only to interpret the results of this study, but not to quantify the component variables.

The risk rate differentials for all equities, as measured by the S&P Composite, are established by reference to long-term corporate bonds. For public utilities, the risk rate differentials are computed with the S&P Public Utilities as compared with public utility bonds.

The measurement procedure used to identify the risk rate differentials consisted of arithmetic means, geometric means, and medians for each series. Measures of the central tendency of the results from the historical periods provide the best indication of representative rates of return. In regulated ratesetting, the correct measure of the equity risk premium is the arithmetic mean because a utility must expect to earn its cost of capital in each year in order to provide investors with their long-term expectations. In other contexts, such as pension determinations, compound rates of return, as shown by the geometric means, may be appropriate. The median returns are also appropriate in ratesetting because they are a measure of the central tendency of a single period rate of return. Median values have also been considered in this analysis because they provide a return which divides the entire series of annual returns in half and are representative of a return that symbolizes, in a meaningful way, the central tendency of all annual returns contained within the analysis period. Medians are regularly included in many investor-influencing publications.

As previously noted, the arithmetic mean provides the appropriate point estimate of the risk premium. As further explained in Appendix H, the long-term cost of capital in rate cases requires the use of the arithmetic means. To supplement my analysis, I have also used the rates of return taken from the geometric mean and median for each series to provide the bounds of the range to measure the risk rate differentials. This further analysis shows that when selecting the midpoint from a range established with the geometric means and medians, the arithmetic mean is indeed a reasonable measure for the long-term cost of capital. For the years 1928 through 2005, the risk premiums for each class of equity are:

	S&P Composite	S&P Public Utilities
Arithmetic Mean	5.78%	5.27%
Geometric Mean	4.14%	3.18%
Median	8.94%	6.95%
Midpoint of Range	6.54%	5.07%
Average	6.16%	5.17%

The empirical evidence suggests that the common equity risk premium is higher for the S&P Composite Index compared to the S&P Public Utilities.

If, however, specific historical periods were also analyzed in order to match more closely historical fundamentals with current expectations, the results provided on page 2 of Schedule 10 should also be considered. One of these sub-periods included the 54-year period, 1952-2005. These years follow the historic 1951 Treasury-Federal Reserve Accord which affected monetary policy and the market for government securities.

A further investigation was undertaken to determine whether realignment has taken place subsequent to the historic 1973 Arab Oil embargo and during the deregulation of the financial markets. In each case, the public utility risk premiums were computed by using the arithmetic mean, and the geometric means and medians to establish the range shown by those values. The time periods covering the more recent periods 1974 through 2005 and 1979 through 2005 contain events subsequent to the initial oil shock and the advent of monetarism as

Fed policy, respectively. For the 54-year, 32-year and 27-year periods, the public utility risk premiums were 6.05%, 5.19%, and 5.20% respectively, as shown by the average of the specific point-estimates and the midpoint of the ranges provided on page 2 of Schedule 10.

CAPITAL ASSET PRICING MODEL

Modern portfolio theory provides a theoretical explanation of expected returns on portfolios of securities. The Capital Asset Pricing Model ("CAPM") attempts to describe the way prices of individual securities are determined in efficient markets where information is freely available and is reflected instantaneously in security prices. The CAPM states that the expected rate of return on a security is determined by a risk-free rate of return plus a risk premium which is proportional to the non-diversifiable (or systematic) risk of a security.

The CAPM theory has several unique assumptions that are not common to most other methods used to measure the cost of equity. As with other market-based approaches, the CAPM is an expectational concept. There has been significant academic research conducted that found that the empirical market line, based upon historical data, has a less steep slope and higher intercept than the theoretical market line of the CAPM. For equities with a beta less than 1.0, such as utility common stocks, the CAPM theoretical market line will underestimate the realistic expectation of investors in comparison with the empirical market line which shows that the CAPM may potentially misspecify investors' required return.

The CAPM considers changing market fundamentals in a portfolio context. The balance of the investment risk, or that characterized as unsystematic, must be diversified. Some argue that diversifiable (unsystematic) risk is unimportant to investors. But this contention is not completely justified because the business and financial risk of an individual company, including regulatory risk, are widely discussed within the investment community and therefore influence investors in regulated firms. In addition, I note that the CAPM assumes that through portfolio diversification, investors will minimize the effect of the unsystematic (diversifiable) component of investment risk. Because it is not known whether the average investor holds a well-diversified portfolio, the CAPM must also be used with other models of the cost of equity.

To apply the traditional CAPM theory, three inputs are required: the beta coefficient *("β")*, a risk-free rate of return *("Rf")*, and a market premium *("Rm - Rf")*. The cost of equity stated in terms of the CAPM is:

$$k = Rf + \beta\,(Rm - Rf)$$

As previously indicated, it is important to recognize that the academic research has shown that the security market line was flatter than that predicted by the CAPM theory and it had a higher intercept than the risk-free rate. These tests indicated that for portfolios with betas less than 1.0, the traditional CAPM would understate the return for such stocks. Likewise, for portfolios with betas above 1.0, these companies had lower returns than indicated by the traditional CAPM theory. Once again, CAPM assumes that through portfolio diversification investors will minimize the effect of the unsystematic (diversifiable) component of investment risk. Therefore, the CAPM must also be used with other models of the cost of equity, especially when it is not known whether the average public utility investor holds a well-diversified portfolio.

Beta

The beta coefficient is a statistical measure which attempts to identify the non-diversifiable (systematic) risk of an individual security and measures the sensitivity of rates of return on a particular security with general market movements. Under the CAPM theory, a security that has a beta of 1.0 should theoretically provide a rate of return equal to the return rate provided by the market. When employing stock price changes in the derivation of beta, a stock with a beta of 1.0 should exhibit a movement in price which would track the movements in the overall market prices of stocks. Hence, if a particular investment has a beta of 1.0, a one percent increase in the return on the market will result, on average, in a one percent increase in the return on the particular investment. An investment which has a beta less than 1.0 is considered to be less risky than the market.

The beta coefficient ("β"), the one input in the CAPM application which specifically applies to an individual firm, is derived from a statistical application which regresses the returns on an individual security (dependent variable) with the returns on the market as a whole (independent variable). The beta coefficients for utility companies typically describe a small proportion of the total investment risk because the coefficients of determination (R^2) are low.

Page 1 of Schedule 11 provides the betas published by Value Line. By way of explanation, the Value Line beta coefficient is derived from a "straight regression" based upon the percentage change in the weekly price of common stock and the percentage change weekly of the New York Stock Exchange Composite average using a five-year period. The raw historical beta is adjusted by Value Line for the measurement effect resulting in overestimates in high beta stocks and underestimates in low beta stocks. Value Line then rounds its betas to the nearest .05 increment. Value Line does not consider dividends in the computation of its betas.

Market Premium

The final element necessary to apply the CAPM is the market premium. The market premium by definition is the rate of return on the total market less the risk-free rate of return *("Rm - Rf")*. In this regard, the market premium in the CAPM has been calculated from the total return on the market of equities using forecast and historical data. The future market return is established with forecasts by Value Line using estimated dividend yields and capital appreciation potential.

With regard to the forecast data, I have relied upon the Value Line forecasts of capital appreciation and the dividend yield on the 1,700 stocks in the Value Line Survey. According to the September 8, 2006, edition of The Value Line Investment Survey Summary and Index, (see page 5 of Schedule 11) the total return on the universe of Value Line equities is:

	Dividend Yield	+	Median Appreciation Potential	=	Median Total Return
As of September 8, 2006	1.8%	+	10.67%[1]	=	12.47%

The tabulation shown above provides the dividend yield and capital gains yield of the companies followed by Value Line. Another measure of the total market return is provided by the DCF return on the S&P 500 Composite index. As shown below, that return is 12.44%.

DCF Result for the S&P 500 Composite							
D/P	(	1+.5g	)	+	g	=	k
1.80%	(	1.05275	)	+	10.55%	=	12.44%
where:		Price (P)		at	30-Sep-2006	=	1335.85
		Dividend (D)		for	1st Qtr '06	=	6.02
		Dividend (D)			annualized	=	24.08
		Growth (g)			First Call EpS	=	10.55%

Using these indicators, the total market return is 12.46% (12.47% + 12.44% = 24.91% ÷ 2) using both the Value Line and S&P derived returns. With the 11.54% forecast market return and the 5.25% risk-free rate of return, a 7.21% (12.46% - 5.25%) market premium would be

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[1] The estimated median appreciation potential is forecast to be 50% for 3 to 5 years hence. The annual capital gains yield at the midpoint of the forecast period is 10.67% (i.e., $1.50^{.25} - 1$).

indicated using forecast market data.

With regard to the historical data, I provided the rates of return from long-term historical time periods that have been widely circulated among the investment and academic community over the past several years, as shown on page 6 of Schedule 11. These data are published by Ibbotson Associates in its Stocks, Bonds, Bills and Inflation ("SBBI"). From the data provided on page 6 of Schedule 11, I calculate a market premium using the common stock arithmetic mean returns of 12.3% less government bond arithmetic mean returns of 5.8%. For the period 1926-2005, the market premium was 6.5% (12.3% - 5.8%). I should note that the arithmetic mean must be used in the CAPM because it is a single period model. It is further confirmed by Ibbotson who has indicated:

> *Arithmetic Versus Geometric Differences*
> For use as the expected equity risk premium in the CAPM, the *arithmetic* or *simple difference* of the *arithmetic* means of stock market returns and riskless rates is the relevant number. This is because the CAPM is an additive model where the cost of capital is the sum of its parts. Therefore, the CAPM expected equity risk premium must be derived by arithmetic, *not geometric*, subtraction.
>
> *Arithmetic Versus Geometric Means*
> The expected equity risk premium should always be calculated using the arithmetic mean. The arithmetic mean is the rate of return which, when compounded over multiple periods, gives the mean of the probability distribution of ending wealth values. This makes the arithmetic mean return appropriate for computing the cost of capital. The discount rate that equates expected (mean) future values with the present value of an investment is that investment's cost of capital. The logic of using the discount rate as the cost of capital is reinforced by noting that investors will discount their (mean) ending wealth values from an investment back to the present using the arithmetic mean, for the reason given above. They will therefore require such an expected (mean) return prospectively (that is, in the present looking toward the future) to commit their capital to the investment. (Stocks, Bonds, Bills and Inflation - 1996 Yearbook, pages 153-154)

For the CAPM, a market premium of 6.86% (6.5% + 7.21% = 13.71% ÷ 2) would be reasonable which is the average of the 6.5% using historical data and a market premium of 7.21% using forecasts.

COMPARABLE EARNINGS APPROACH

Value Line's analysis of the companies that it follows includes a wide range of financial and market variables, including nine items that provide ratings for each company. From these nine items, one category has been removed dealing with industry performance because, under approach employed, the particular business type is not significant. In addition, two categories have been ignored that deal with estimates of current earnings and dividends because they are not useful for comparative purposes. The remaining six categories provide relevant measures to establish comparability. The definitions for each of the six criteria (from the Value Line Investment Survey - Subscriber Guide) follow:

<u>Timeliness Rank</u>

> The rank for a stock's probable relative market performance in the year ahead. Stocks ranked 1 (Highest) or 2 (Above Average) are likely to outpace the year-ahead market. Those ranked 4 (Below Average) or 5 (Lowest) are not expected to outperform most stocks over the next 12 months. Stocks ranked 3 (Average) will probably advance or decline with the market in the year ahead. Investors should try to limit purchases to stocks ranked 1 (Highest) or 2 (Above Average) for Timeliness.

<u>Safety Rank</u>

> A measure of potential risk associated with individual common stocks rather than large diversified portfolios (for which Beta is good risk measure). Safety is based on the stability of price, which includes sensitivity to the market (see Beta) as well as the stock's inherent volatility, adjusted for trend and other factors including company size, the penetration of its markets, product market volatility, the degree of financial leverage, the earnings quality, and the overall condition of the balance sheet. Safety Ranks range from 1 (Highest) to 5 (Lowest). Conservative investors should try to limit purchases to equities ranked 1 (Highest) or 2 (Above Average) for Safety.

Financial Strength

The financial strength of each of the more than 1,600 companies in the VS II data base is rated relative to all the others. The ratings range from A++ to C in nine steps. (For screening purposes, think of an A rating as "greater than" a B). Companies that have the best relative financial strength are given an A++ rating, indicating an ability to weather hard times better than the vast majority of other companies. Those who don't quite merit the top rating are given an A+ grade, and so on. A rating as low as C++ is considered satisfactory. A rating of C+ is well below average, and C is reserved for companies with very serious financial problems. The ratings are based upon a computer analysis of a number of key variables that determine (a) financial leverage, (b) business risk, and (c) company size, plus the judgment of Value Line's analysts and senior editors regarding factors that cannot be quantified across-the-board for companies. The primary variables that are indexed and studied include equity coverage of debt, equity coverage of intangibles, "quick ratio", accounting methods, variability of return, fixed charge coverage, stock price stability, and company size.

Price Stability Index

An index based upon a ranking of the weekly percent changes in the price of the stock over the last five years. The lower the standard deviation of the changes, the more stable the stock. Stocks ranking in the top 5% (lowest standard deviations) carry a Price Stability Index of 100; the next 5%, 95; and so on down to 5. One standard deviation is the range around the average weekly percent change in the price that encompasses about two thirds of all the weekly percent change figures over the last five years. When the range is wide, the standard deviation is high and the stock's Price Stability Index is low.

Beta

A measure of the sensitivity of the stock's price to overall fluctuations in the New York Stock Exchange Composite Average. A Beta of 1.50 indicates that a stock tends to rise (or fall) 50% more than the New York Stock Exchange Composite Average. Use Beta to measure the stock market risk inherent in any diversified portfolio of, say, 15 or more companies. Otherwise, use the Safety Rank, which measures total risk inherent in an equity, including that portion attributable to market fluctuations. Beta is derived from a least squares regression analysis between weekly percent changes in the price of a stock and weekly percent changes in the NYSE Average over a period of five years. In the case of shorter price histories, a smaller time period is used, but two years is the minimum. The Betas are periodically adjusted for their long-term tendency to regress toward 1.00.

Technical Rank

A prediction of relative price movement, primarily over the next three to six months. It is a function of price action relative to all stocks followed by Value Line. Stocks ranked 1 (Highest) or 2 (Above Average) are likely to outpace the market. Those ranked 4 (Below Average) or 5 (Lowest) are not expected to outperform most stocks over the next six months. Stocks ranked 3 (Average) will probably advance or decline with the market. Investors should use the Technical and Timeliness Ranks as complements to one another.

PETITIONER'S EXHIBIT KAH

INDIANA-AMERICAN WATER COMPANY
I.U.R.C. CAUSE NO. 43187

DIRECT TESTIMONY

OF

KERRY A. HEID

ON

PURCHASED POWER ADJUSTMENT

SPONSORING PETITIONER'S EXHIBITS
KAH-1 THROUGH KAH-7

DIRECT TESTIMONY
OF
KERRY A. HEID

I. INTRODUCTION AND OVERVIEW

1. Please state your name and business address.

A. My name is Kerry A. Heid. My address is 3212 Brookfield Drive, Newburgh, IN 47630.

2. What is your occupation?

A. I am an independent rate consultant. I have been engaged by Indiana-American Water Company ("Petitioner") to recommend and develop a fuel and purchased power cost recovery mechanism, hereinafter referred to as a Purchased Power Adjustment ("PPA"), in this proceeding.

3. What is your educational background?

A. In 1973 I graduated from Purdue University with a Bachelor of Science degree in Civil Engineering. In 1985 I graduated from Indiana University with a Master of Business Administration degree, majoring in Finance.

4. Do you hold any professional accreditations?

A. Yes. I have been a registered Professional Engineer in the State of Indiana since 1977.

5. Please describe your business experience.

A. My business experience and qualifications are set forth in Petitioner's Exhibit KAH-1. I was formerly Director of Rates for Vectren Corporation, a combination electric and gas electric utility. I would also note that I am a member of the American Water Works Association ("AWWA") Rates and Charges Committee, which is responsible for the AWWA Water Rates Manual M1, "Principles of Water Rates, Fees, and Charges." I am also on the AWWA Rates and Charges Subcommittee that is drafting the next edition of the AWWA Water Rates Manual. I was also formerly Principal Water and Sewer Engineer with the Indiana Utility Regulatory Commission (and its predecessor the Public Service Commission of Indiana), as well as a member of the NARUC (National Association of Regulatory Utility Commissioners) Water Subcommittee.

6. Have you previously testified before this Commission?

A. Yes. I have testified on numerous occasions before this Commission.

7. Please discuss how your testimony is organized.

A. My testimony is organized into the following sections:

I. Introduction and Overview

II. Nature of Fuel and Purchased Power Costs

III. Impact of Nature of Costs on Ratemaking Methodologies

IV. Purchased Power Adjustment Mechanism

8. What exhibits are you sponsoring in this proceeding?

A. I am sponsoring the following exhibits:

KAH-1	Business Experience and Qualifications of Kerry A. Heid.
KAH-2	Listing of Petitioner's Electric Suppliers and Tariffs
KAH-3	Listing of Electric Suppliers' Rate Adjustment Mechanisms
KAH-4	Hoosier Energy Wholesale Power Cost Tracker
KAH-5	Proposed PPA Tariff Sheets
KAH-6	Proposed PPA Schedules
KAH-7	PPA Filing and Reconciliation Time Line

9. What is the purpose of your testimony concerning Petitioner's proposed PPA?

A. The purpose of my testimony concerning the PPA is to discuss the proposed method for the recovery of fuel and purchased power costs, as well as the policy, ratemaking, financial and accounting aspects of Petitioner's request for authority to recover the purchased power costs through this mechanism.

My testimony presents Petitioner's proposal for the recovery of fuel and purchased power costs. That proposal is for the implementation of a PPA tracker mechanism utilizing actual fuel and purchased power costs for an historical twelve (12) month period. These amounts would be recovered over a subsequent 12-month period and would be subject to an annual reconciliation of actual costs to recovered costs.

10. Please briefly summarize why Petitioner is proposing a PPA.

A. Fuel (primarily natural gas) and purchased power costs are the single largest operation and maintenance expense for Petitioner. The natural gas and electric utility industries have been in the midst of unprecedented change. The Commission is well aware of the volatility in the natural gas market and its impact on customers. Increasingly complex and costly federal environmental regulations and the increasing price of fuel are causing recurrent cost increases to purchased power. Moreover, costs from the electric utilities' participation, either directly or indirectly via their wholesale suppliers, in Regional Transmission Organizations (principally the Midwest Independent System Operator, or "MISO") are being passed through to customers through the Fuel Adjustment Clauses ("FAC") on a quarterly basis or through MISO trackers on a quarterly basis. The ever-changing nature of fuel (natural gas) and purchased power costs does not fit within the traditional test year ratemaking framework that requires pro forma rate case adjustments to be fixed, known and measurable and occurring within twelve (12) months following the end of the test year. The timely recovery of costs is reasonable from a ratemaking perspective, in that a basic tenet of regulation is that the utility should have a reasonable opportunity to recover its prudently-incurred costs of providing service.

II. NATURE OF FUEL AND PURCHASED POWER COSTS

11. Please discuss Petitioner's fuel costs.

A. Petitioner's fuel costs are primarily natural gas costs used for domestic service to its various district offices. As such, it is a relatively small percentage of the total fuel and purchased costs. However, as the Commission is only too well aware, the volatility of the natural gas marketplace and the ability of some gas utilities to change their Gas Cost Adjustments ("GCAs") as often as monthly places a burden on customers, including Petitioner who must incur these costs to provide service to its customers.

12. Please describe the Petitioner's purchased power costs.

A. Petitioner is served by 17 different electric utilities under 51 different electric rate schedules. These electric utilities and their associated tariff rate schedules are identified on Petitioner's Exhibit KAH-2. Petitioner is served by all five investor-owned utilities (IOU's) operating in Indiana, as well as four municipal utilities and eight electric distribution cooperatives. The Indiana Municipal Power Agency ("IMPA") sells power to all four of the municipal utilities. Of the four municipal utilities, three remain regulated by the Commission. All eight electric distribution cooperatives purchase power from either Hoosier Energy Rural Electric Cooperative ("Hoosier Energy") or Wabash Valley Power Association ("WVPA"). Of the eight electric distribution cooperatives, only two remain regulated by the Commission.

PSI Energy (PSI), Southern Indiana Gas & Electric Company (Vectren), Northern Indiana Public Service Company (NIPSCO) and Indianapolis Power & Light Company (IPL) are all members of MISO, as are IMPA, Hoosier Energy and WVPA.

13. Please describe the changes occurring in the electric utility industry that give rise to the electric price volatility that the proposed PPA addresses.

A. The electric utility industry has been in the midst of unprecedented change during the past few years, and the transition seems to be far from over. One only need review the Commission's annual Electric Reports to the Regulatory Flexibility Committee of the Indiana General Assembly ("Regulatory Flexibility Report") to obtain a sense of the changes. The Executive Summary of the 2006 Regulatory Flexibility Report summarizes the issues facing customers:

> Increasingly complex and costly federal environmental regulations and the increasing price of fuel are the primary factors causing increases in the cost of electricity. The recovery of costs associated with increased coal and natural gas prices as well as the costs associated with the installation of new pollution control equipment have resulted in recurrent cost recovery proceedings before the Commission. Customers will also realize some costs from their power supplier's participation in Regional Transmission Organizations ("RTOs"—the Midwest ISO in Carmel or the PJM Interconnection).

<u>**Environmental**</u>

14. The above quote references increasingly complex and costly environmental regulations as causing increases in the cost of electricity. Please explain.

A. Each electric generating utility must comply with applicable federal and state legal requirements, including environmental rules promulgated by both the United States Environmental Protection Agency ("USEPA") and by the Indiana Department of Environmental Management ("IDEM"). Such rules establish environmental compliance standards that govern emissions from electric generating units. Electric generating units have been subject to increasingly more stringent pollution reduction requirements since the 1990 amendments to the Clean Air Act.

15. Please describe some of the pollution reduction requirements currently facing the electric utilities.

A. Under the Clean Air Act, each state is required to adopt a State Implementation Plan ("SIP") to implement the attainment and maintenance of National Ambient Air Quality Standards ("NAAQS") for a number of pollutants. If the USEPA makes a finding that a SIP is substantially inadequate to achieve the attainment or maintenance of the NAAQS in a state, the USEPA may call upon the state to revise its SIP ("a SIP Call").

In 1998, the USEPA issued a NO_x SIP Call that required many states, including Indiana, to develop revised SIPs designed to reduce NO_x emissions to meet budgeted levels the USEPA had set for each state. Indiana was required to propose a SIP by October 2000 that would implement controls on emissions sufficient to meet the USEPA's NO_x budget by May 2004. In order to meet the Indiana NO_x budget prescribed by the USEPA, Indiana's SIP Call required certain utility NO_x controls that would limit the acceptable level of emissions from electric generation.

In January 2004, the USEPA published two new significant proposed emission reduction requirements: (1) the Clean Air Interstate Rule ("CAIR"); and (2) the Clean Air Mercury Rule ("CAMR"). According to the USEPA, these two rules, which are separate but closely related, will trigger the largest investment in air quality improvement in the history of the United States. The new CAIR and CAMR rules will require Indiana's electric generating utilities to achieve reductions in SO_2, NO_x and mercury emissions that are in addition to the previous SO_2 and NO_x reductions.

16. What are the immediate implications of the required pollution reduction requirements?

A. Indiana electric utilities have begun to plan and prepare their systems for compliance with the environmental mandates. IPL, PSI, NIPSCO and Vectren have received approval from the Commission of their individual compliance plans. Moreover, each of these utilities has received approvals from the Commission to implement environmental cost adjustments that allow them to immediately pass through the capital and operating costs to customers as frequently as semi-annually.

17. Please elaborate.

A. These environmental compliance plans and associated cost recovery are addressed in various Indiana statutes: Indiana Code §§8-1-8.8 directs the Commission to encourage clean coal projects through the application of financial incentives and timely recovery of costs associated with such projects; and Indiana Code §§8-1-2-6.6 and 6.7 discuss ratemaking treatment for Clean Coal Technology ("CCT"). These statutes generally serve to encourage the use of Illinois Basin coal through the installation of CCT equipment by allowing the utilities to recover their operation and maintenance expenses, depreciation, taxes and capital costs through retail rate mechanisms.

<u>Cost of Fuel</u>

18. The Commission's 2006 Regulatory Flexibility Report also noted that the increasing price of fuel is another primary factor causing increases in the cost of electricity. Please explain.

A. The Commission's 2006 Regulatory Flexibility Report notes that the recovery of increased costs associated with coal and natural gas have also resulted in recurrent cost increases through the quarterly FAC Proceedings. The volatility and extreme price levels in the natural gas marketplace have been well documented, and the Commission is well aware of these impacts on customers.

The Indiana electric industry has long relied on coal as its major source for generating electric power in Indiana. Coal's local abundance and low cost have made it the local choice for most Indiana base load generation. However, the price of coal has recently experienced increases as well. For example, the Energy Information Administration ("EIA") Annual Coal Report issued in October 2006 noted:

> The majority of coal deliveries to the electric power sector are through long-term contracts, sometimes in conjunction with spot purchases to supplement demand. Average delivered coal prices at electric utilities (a subset of the electric power sector) increased for a fifth consecutive year to $31.22 per short ton, an increase of 14.4 percent.

In addition, it is not uncommon for coal contracts to have escalation clauses based on diesel fuel prices.

Finally, the additional fuel costs attributable to MISO operations are now being passed through to customers in the FACs. MISO now directs the dispatch of all of the MISO members' generating units on a regional economic dispatch basis considering the economics of the generation offers into the MISO market. This has created a number of new fuel-related charges or credits that can be incurred or received by the MISO members. In its Order in Cause No. 42685, dated June 1, 2005, the Commission determined that many of these charges and credits represented components of the cost of fuel and are thus subject to recovery through the fuel adjustment clause ("FAC"). This will be discussed in more detail in the next section of my testimony.

Midwest Independent System Operator

19. The Commission's 2006 Regulatory Flexibility Report also notes that customers will also realize some costs from their electric utility's participation in Regional Transmission organizations, e.g. MISO. Please explain.

A. Transmission policy in the United States has been in a constant state of change since the enactment of the Energy Policy Act of 1992, which initiated electric utility industry reform. In 1996, the Federal Energy Regulatory Commission ("FERC") implemented open access transmission through FERC's Orders 888 and 889, which provided for nondiscriminatory transmission access. Those two Orders marked the beginning of a dramatic change to the way in which electric transmission systems are used. To further FERC's open access initiative, FERC implemented Order 2000 in December 1999, which defined the requirements of Regional Transmission Organizations ("RTOs"), and strongly encouraged transmission owners to join an RTO. As a result of these industry initiatives, the cost structure of an electric utility's service function was fundamentally altered.

20. What RTOs have been formed in Indiana?

A. Two RTOs serve utilities in Indiana – MISO and PJM. Most Indiana electric utilities are members of MISO, including PSI, NIPSCO, IPL, Vectren, IMPA, WVPA and Hoosier Energy. Only Indiana & Michigan Power Company

("AEP") is a member of PJM. Consequently, the RTO having the greatest potential impact on Petitioner is MISO, and thus the subsequent discussions on RTOs will be focused on MISO.

21. Please describe the MISO-related costs incurred by the electric utilities.

A. Not only are there new administrative costs associated with managing MISO's transmission support operations and its energy market platform, but there are also newly required capital investments related to constructing new transmission capacity needed to support the increased power flows associated with the Midwest Energy Market. Electric utilities' MISO-related costs can be grouped into the following three categories: (1) non-fuel charges assessed by MISO pursuant to rate schedules that have been approved by the FERC; (2) fuel costs related to the participation in the Day 2 Energy Market; and (3) transmission costs included in MISO's FERC-approved Attachment O formula rate for the electric utilities. As further discussed below, the fuel costs will flow through the quarterly FAC. The remaining two types of non-fuel costs may be subject to recovery through dedicated trackers or subsequent base rate cases.

A. NON-FUEL CHARGES ASSESSED BY MISO

22. What are the non-fuel charges assessed by MISO?

A. MISO currently assesses the following non-fuel charges to electric utilities:

(1) **Schedule 10 and Schedule 10-FERC–ISO Cost Recovery Adder and FERC Annual Charges Recovery.** These schedules provide for the

recovery by MISO of the cost of building and operating MISO's control center, coordinated regional transmission planning, administering the MISO tariff, any deferred pre-operating costs and recovery of the annual assessments paid to the FERC by MISO.

(2) **Schedule 16–Financial Transmission Rights Administrative Service Cost Recovery Adder.** This schedule provides for the recovery of Day 2 Market costs related to bilateral trading coordination, FTR administration, FTR software tools, simultaneous feasibility analysis, revenue distribution, and FTR administration.

(3) **Schedule 17–Energy Market Support Cost Recovery Adder.** This schedule provides for the recovery of Day 2 Market costs related to market modeling and scheduling, market bidding, locational marginal pricing coordination, market settlements and billing, market monitoring functions, and the economic dispatch of generating resources to serve load in the MISO footprint while establishing a spot energy market.

(4) **Schedule 24–Control Area Operator Cost Recovery.** This schedule provides for the recovery of control area or "balancing authority" costs incurred by transmission owing members of MISO as a result of implementing the Day 2 Market.

23. Are there other non-fuel charges that the electric utilities will incur under the MISO tariff?

A. Yes. The Commission found some MISO charges to be non-fuel related in Cause No. 42685. In addition, electric utilities will be assessed charges by MISO for reliability upgrades to the MISO transmission system. At some later date, the electric utilities will also be assessed charges for economic upgrades to the MISO transmission system that are built by other transmission owning members of MISO. Finally, at some point in the future, the electric utilities could also be assessed charges for reactive power service provided by generators in the utilities' control areas.

B. FUEL COSTS ASSOCIATED WITH THE MISO DAY 2 ENERGY MARKET

24. Please describe the fuel costs related to the Day 2 Energy Market.

A. Under the Day 2 Energy Market platform, MISO directs the dispatch of all of the MISO members' generating units on a regional economic dispatch basis considering the economics of the generation offers into the MISO market. The following fuel-related charges or credits can be incurred or received by the MISO members: (a) financial transmission rights ("FTR") congestion costs; (b) FTR congestion credits; (c) FTR auction settlements; (d) Virtual Bids and Offers in the Day-Ahead Market used for hedging jurisdictional load; (e) Day-Ahead recovery of Unit Commitment Costs; (f) Excess Congestions Charge Fund Credits; (h) resource adequacy commitment ("RAC") Recovery of Unit Commitment Costs; (i) Marginal Losses Surplus Credit; (j) Inadvertent Energy Charges or Credits; and (k) Revenue from Uninstructed Deviation Penalties. In its Order in Cause No. 42685, dated June 1, 2005, the Commission determined that these items represented components of the cost of fuel and are thus subject to recovery through the FAC.

C. TRANSMISSION COSTS INCLUDED IN MISO'S ATTACHMENT O FORMULA RATE

25. Please describe MISO Attachment O.

A. MISO Attachment O is used to determine the transmission service rates under the MISO tariff for loads that sink in members' control areas.

Attachment O, which is updated annually, is used to determine the annual transmission revenue requirements for each transmission owner in MISO. For an investor owned utility, revenue requirements are determined based on plant and expense data from the utility's FERC Form 1 and include the following components: (a) operating expenses, including operation and maintenance expenses, taxes other than income tax, and depreciation expenses; (b) return on transmission net investment grossed up for income taxes; and less (c) transmission revenue credits.

26. Has the Commission allowed any utilities in Indiana to recover these costs through a MISO tracker?

A. Yes. First, as already discussed, the Commission has previously determined that a certain group of MISO-related costs are fuel costs and, as such, can be recovered through the quarterly FAC.

Second, in its Order in PSI's general rate case, Cause No. 42539 approved May 18, 2004, the Commission permitted PSI to quarterly track these non-fuel MISO charges through Standard Contract Rider No. 68-MISO Management Cost and Revenue Adjustment. In approving PSI's adjustment rider, the Commission stated:

> We find reasonable PSI's proposal to track Midwest ISO related costs and revenues, including costs that are: (1) the results of decisions by the FERC; (2) variable in amount from year to year; (3) variable as to timing; (4) substantial in individual and aggregate amounts; and (5) outside the control of PSI. PSI's proposal is balanced and designed to flow through to customers Midwest ISO-related transmission revenues received by PSI. Therefore, we find that PSI's proposal to track Midwest ISO related costs should be

approved. (Cause No. 42539, Order dated May 18, 2004, at p. 120).

27. Have other utilities proposed MISO trackers?

A. Yes. In its current electric rate case, Cause No. 43111, Vectren is proposing a MISO Cost and Revenue Adjustment ("MCRA") to recover incremental changes in the costs associated with its membership in MISO. Vectren's proposed MCRA would allow for the timely recovery of incremental MISO charges and incremental MISO transmission costs. Specifically, Vectren is proposing to recover, on a quarterly basis, incremental changes in the non-fuel related charges assessed by MISO and incremental charges in the key cost and revenue components of Vectren's transmission revenue requirements determined through the application of the FERC-approved Attachment O calculations.

28. Are the aforementioned environmental, fuel and MISO costs the only sources of purchased power cost volatility being experienced by Petitioner?

A. No. First, it should be noted that in addition to the aforementioned trackers, the electric utilities have a number of other trackers with which they flow through cost increases and decreases on a periodic basis. Petitioner's Exhibit KAH-3 lists the many rate adjustment mechanisms utilized by the Petitioner's electric suppliers to adjust electric rates as frequently as quarterly.

Second, Vectren has recently filed a general rate case in which it proposes to increase rates by an average of over 18 percent. In its filing, it also indicates that over the next five years, it expects to invest at least an additional $775 million in capital investments. It also indicated that it is "on the brink of our next investment in baseload generation," a coal fired unit with the latest emissions control technology.

Moreover, it should be noted that of the 17 different power suppliers, seven are no longer regulated by this Commission and, as such, can raise their rates with only the adoption of an ordinance or resolution.

29. Please summarize your testimony to this point.

A. My preceding testimony has described the various environmental, fuel and structural (e.g. MISO) issues, as well as other trackers and general rate cases, that are causing the recurrent cost changes to fuel and purchased power costs for Petitioner.

In the case of generating utilities, the utilities are seeking FAC changes, environmental trackers and MISO trackers, and base rate increases. In the case of IOUs, those costs flow directly through to the retail customer on a real-time basis. In the case of IMPA, Hoosier and WVPA, these costs are passed through to their member companies, *i.e.* the municipal electric utilities and rural electric cooperatives who provide the electric service to Petitioner, who in turn, pass these cost increases immediately on to the end use customers like Petitioner through wholesale power cost trackers.

Petitioner's Exhibit KAH-4 is an excerpt from Hoosier Energy's webpage that discusses the need for a wholesale power cost tracker to track unpredictable costs that a utility incurs in providing service to customers.

30. What is the impact on Petitioner of this ability of the utilities to track through these cost increases on a real-time basis?

A. The result is that Petitioner will receive frequent rate changes from its electric utility providers that it will not be able to reflect in its rates under traditional ratemaking. The traditional ratemaking approach in Indiana specifies that an historical test year is used, and that pro forma adjustments can be made to operating expenses if those adjustments are fixed, known and measurable and occurring within twelve (12) months following the end of the test year. With the number of different suppliers, Petitioner experiences natural gas and electric cost changes constantly. These cost changes are very real, but would not be considered fixed, known and measurable for traditional ratemaking treatment. Moreover, these costs may not yet be known at the time of the utility's filing of its case-in-chief. Therefore, most purchased power cost changes could not be reflected as pro forma adjustments in a rate case. Moreover, these pro forma adjustments are only allowed twelve (12) months beyond the end of the test year, so a utility filing rate cases even every two or three years has no opportunity to recover the majority of these costs. This violates a basic tenet of regulation in that the utility does not have a reasonable opportunity to recover these prudently-incurred costs in providing service to its customers.

31. Are these fuel and purchased power costs material to Petitioner?

A. Yes. Fuel and purchased power costs are the single largest operation and maintenance expense to Petitioner. Moreover, fuel and purchased power are also the costs most likely to experience significant changes, as described herein. To illustrate, the following table illustrates the rapid changes in fuel and purchased power expense since 2003.

12 Months Ended	Fuel and Purchased Power
12/31/03	$4,255,028
12/31/04	$4,435,477
12/31/05	$4,852,743
6/30/06 (a)	$5,342,796

(a) Test Year.

It reflects a 25.6 percent increase in just two and one-half years, an annual rate of increase of 9.5 percent. Moreover, this rate of change is poised to only accelerate as a result of the factors previously described.

Fuel and purchased power costs are in excess of 60 percent of the Petitioner's cost of production of water. Moreover, fuel and purchased power costs comprise a material percentage of Indiana-American's net income, historically ranging from 22 percent to 31 percent of net income. Based on actual financial data through September 30, 2006, it is estimated that fuel and purchased power will comprise 71 percent of net income during 2006. Therefore, accurate cost recovery of fuel and purchased power costs is vitally important to Petitioner.

III. IMPACT OF NATURE OF COSTS ON RATEMAKING METHODOLOGIES

32. Based on your experience with utility regulation and ratemaking, are you familiar with the traditional ratemaking methodologies that have been employed by the Commission as well as other regulatory commissions?

A. Yes.

33. What are those traditional ratemaking methodologies?

A. In general, two traditional ratemaking methodologies are common in Indiana and other regulatory jurisdictions. For the purpose of my testimony, I will refer to these methodologies as the "test year adjusted" base rate approach and the tracker approach.

Under the test year adjusted base rate approach, base rates are set prospectively and are based on an adjusted test year that is presumed to be representative of conditions when rates will be in effect. The test year adjusted base rate approach measures the total costs incurred in conducting operations over a historical twelve (12) month period, and adjusts those costs for changes that are fixed, known and measurable and occurring within twelve (12) months following the end of the test year. The adjusted costs are intended to be representative of prospective conditions when rates will be in effect, and sets rates that will produce revenues to match costs of that prospective period.

Under the tracker approach, rates are adjusted through a reconciliation or "true-up," mechanism to ensure that an accurate recovery of costs occurs.

34. What is your understanding of the difficulty in estimating expected fuel and purchased power costs for pro forma adjustment purposes in a rate case?

A. As previously described, the recovery of costs associated with increased coal and natural gas prices as well as costs associated with the installation of new pollution control equipment and MISO-related costs have resulted in recurrent cost recovery proceedings before the Commission. Moreover, for those utilities not regulated by the Commission, they only need to pass an ordinance or resolution adopting new rates, without any regulatory proceeding. Therefore, unlike earlier years when electric prices were relatively stable, Petitioner is now confronted with ever changing fuel and purchased power costs.

35. In your opinion, for the purpose of accurately recovering purchased power costs, do such characteristics make the use of the test year adjusted ratemaking methodology less desirable than the tracker ratemaking methodology?

A. Yes. If the cost data used to set rates according to the test year adjusted ratemaking methodology does not include the impacts on fuel and purchased power costs from these various electric utility trackers and other increases, the rates approved in this case will not function as intended. Under-recoveries of costs will be the probable outcome.

The ever-changing nature of fuel and purchased power costs does not fit within the traditional test year ratemaking framework that requires pro forma adjustments to be fixed, know and measurable and occurring within twelve (12) months following the end of the test year. Moreover, the fact that the utility attempts to go at least a number of years between general rate cases exacerbates this problem and virtually ensures that Petitioner will under-recover its fuel and purchased power costs.

36. In your opinion, what factors should the Commission consider in evaluating which ratemaking methodology is most appropriate for the recovery of fuel and purchased power costs?

A. In my opinion the test year adjusted base rate approach is <u>not</u> the appropriate means for cost recovery when the following characteristics are present:

- Costs are certain to occur, but future levels are variable from year to year, and accurate projections or pro forma adjustments are not possible;
- Costs are to a great extent beyond the control of the utility;
- Costs are potentially large in relation to net income, making it important to recover them accurately and on a timely basis.
- Cost over-recovery or under-recovery is possible due to the above factors, creating the possibility of a significant detrimental impact on customers or shareholders:

When these characteristics are present, the most accurate, fair and efficient means of matching recoveries with costs is through the use of the tracker ratemaking methodology.

37. Are the above characteristics present with respect to the purchased power costs that are proposed to be subject to the PPA?

A. Yes. My previous testimony indicates that some level of fuel and purchased power changes are certain to occur, while substantial uncertainties exist with respect to the level of those costs. Moreover, fuel and purchased power costs are to a great extent beyond the control of the utility. Finally, purchased power costs are the single largest operation and maintenance expense for Petitioner and constitute a significant percentage of net income.

Given the wide variations in and the difficulties in making estimates of the level of fuel and purchased power costs, combined with the fact that they do not fit into the fixed, known and measurable ratemaking framework, the possibility and indeed the probability exists that the test year adjusted ratemaking methodology will result in an over-recovery or an under-recovery of those costs. The tracker ratemaking methodology provides the most accurate, fair and efficient means of recovering fuel and purchased power costs. Therefore, Petitioner is proposing a Purchased Power Adjustment mechanism to ensure accurate cost recovery of its fuel and purchased power costs.

IV. PURCHASED POWER ADJUSTMENT MECHANISM

38. Please summarize Petitioner's proposed PPA mechanism.

A. The proposed PPA would have the following features:

(1) An appropriate pro forma test year amount of fuel and purchased power costs would be determined and included within base rates. The PPA, then, would reflect only the incremental increase or decrease in estimated purchased power costs from the amount included in base rates.

(2) The PPA would be based on actual historical fuel and purchased power costs incurred during a previous twelve month period. To provide for prior Commission scrutiny and approval of each PPA, Petitioner would make an annual filing with the Commission that would consist of testimony and other evidence establishing the appropriateness of the purchased power costs incurred, as well as the reconciliation of prior period over and under-recoveries.

(3) A volumetric charge would be determined by dividing the allocated fuel and purchased power costs to be recovered (including previous period over and under-recoveries) by estimated annual sales volumes. Consistent with the concept of single tariff pricing that the Commission has previously approved for Petitioner, a single PPA rate would be determined that would be applicable to all of Petitioner's water systems.

(4) The PPA would be subject to an annual reconciliation in a process similar to the current DSIC reconciliation process. Any resulting over or under-recovery of fuel and purchased power costs (purchased power variances) would be credited/recovered in subsequent PPAs.

39. How will the historical fuel and purchased power costs be determined that would be included in the PPA for recovery in the subsequent PPA recovery period?

A. Fuel and purchased power costs are segregated and recorded in Account 615. Therefore, the historical fuel and purchased power costs recorded in this account during the previous twelve (12) month period would be used.

40. How would Petitioner treat purchased power cost over or under-recoveries due to variations from the estimated volumes?

A. PPA variances will be determined annually in connection with Petitioner's annual PPA proceedings. These variances will be flowed back or recovered over a twelve (12) month period in subsequent PPAs.

41. Please summarize the PPA.

A. The PPA provides for the tracking of fuel and purchased power costs with an annual reconciliation, so that customers will neither underpay nor overpay. If these highly variable fuel and purchased power costs were included in base rates without reconciliation, the recovery would remain at a fixed level until the next rate case, and any variance from actual costs would not be subject to collection or refund. The PPA eliminates this problem.

42. Please describe the document that has been marked as Petitioner's Exhibit KAH-5.

A. Petitioner's Exhibit KAH-5 includes two proposed tariff sheets reflecting the proposed Purchased Power Adjustment. Petitioner's Exhibit KAH-5, Page 1 of 2, is the tariff sheet reflecting the proposed Purchased Power Adjustment rates. Petitioner's Exhibit KAH-5, Page 2 of 2, is the tariff sheet setting forth the Base Rate Fuel and Purchased Power Costs. This tariff sheet will provide the per Ccf (hundred cubic feet) and per Mgal (thousand gallons) fuel and purchased power costs included in base rates necessary for the PPA calculations and reconciliation. The calculation of the Base Rate Purchased Power Costs is included in Petitioner's Exhibit KAH-6, Schedule 2, which will be subsequently discussed.

PPA SCHEDULES

43. Please discuss the PPA ratemaking calculations that Petitioner proposes to submit to the Commission as part of each annual filing.

A. Petitioner's Exhibit KAH-6, consisting of Schedules 1 through 4, reflects the ratemaking calculations that Petitioner proposes to submit to the Commission as part of each annual filing. Hypothetical numbers are reflected on Petitioner's Exhibit KAH-6 since it is merely for illustrative purposes at this time.

44. Please describe Schedule 1 of Petitioner's Exhibit KAH-6.

A. Schedule 1 of Petitioner's Exhibit KAH-6 presents the derivation of the Purchased Power Adjustment rates for the twelve (12) month rate period. Lines 1 through 3 reflect the total fuel and purchased power costs to be recovered during the current PPA period. It is comprised of the historical fuel and purchased power costs (Line 1) and the over- or under-recovery variance from a prior period (Line 2).

Line 4 is the projected Ccf sales, which is divided by the total PPA costs (Line 3) to determine the total PPA unit cost (Line 5).

The Base Rate PPA Unit Cost (Line 6) is deducted from the total PPA Unit Cost (Line 5) to determine the PPA Rate prior to gross-up for Indiana Utility Receipts Tax ("IURT"), which is reflected on Line 7.

Line 8 shows the proposed PPA Rate in $/Ccf (hundred cubic feet), which is derived by dividing the PPA Rate (Line 7) by the IURT gross-up factor of 0.9847. Line 8a converts the proposed PPA Rate from Line 8 into $/Mgal (thousand gallons).

45. Please describe Schedule 2 of Petitioner's Exhibit KAH-6.

A. Schedule 2 of Petitioner's Exhibit KAH-6 presents the calculation of the Base Rate Cost of Fuel and Purchased Power. It is derived by simply dividing the total pro forma fuel and purchased power costs determined in this proceeding by the adjusted test year (pro forma) Ccf sales for the water districts determined in this proceeding.

46. Please describe Schedule 3 of Petitioner's Exhibit KAH-6.

A. Schedule 3 presents the reconciliation of projected costs to actual costs for an historical twelve (12) month period. The resulting over-recoveries or under-recoveries would be flowed back or recovered over the twelve (12) month rate period of that current PPA filing. This reconciliation process is similar to the familiar DSIC reconciliation process. Lines 1 through 3 calculate the "Fuel and Purchased Power Costs Recovered" by multiplying the total actual Ccf sales for the water districts times the billed PPA rate.

Line 4 reflects the "Fuel and Purchased Power Costs to be Recovered" based on the actual Fuel and Purchased Power Expenses incurred during the previous period, plus the over- and under-recovery variances that are to be recovered/flowed back during the period.

Line 5 reflects the calculation of the over- or under-recovery variance, which is calculated by subtracting the "Fuel and Purchased Power Costs Recovered" (Line 3) from the "Fuel and Purchased Power Costs to be Recovered" (Line 4).

TIMING OF PPA FILINGS

47. Please describe Petitioner's Exhibit KAH-7.

A. Petitioner's Exhibit KAH-7 reflects the estimated timeline for the first three PPA filings. The various dates reflected on this schedule are based on the assumption that the Commission will issue its approval in time to file the first PPA ("PPA-1") by October 1, 2007. If the approval date changes from that assumed in this testimony for illustrative purposes, each date on the timeline would simply be adjusted accordingly.

48. Please describe the timing of the initial Purchased Power Adjustment filing, PPA-1.

A. The historical period for which costs would be recovered in PPA-1 would be the twelve (12) month period from August 2006 through July 2007. This is represented on Petitioner's Exhibit KAH-7 by the blue shaded, vertically striped area. The PPA-1 filing would be submitted on approximately October 1, 2007, with an estimated rate effective date of January 1, 2008. The PPA-1 rates would be in effect from January 2008 through December 2008, as represented by the blue shaded, horizontally striped area. Because this would be the initial filing of the Purchased Power Adjustment, there would be no historical period to reconcile.

49. Please describe the second Purchased Power Adjustment filing, PPA-2.

A. PPA-2 would recover fuel and purchased power costs for the subsequent historical period, i.e. the twelve (12) month period from August 2007 through July 2008. Please refer to the yellow shaded, vertically striped area on Petitioner's Exhibit KAH-7. The PPA-2 filing would be submitted on approximately October 1, 2008, with an estimated rate effective date of

January 1, 2009. The PPA-2 rates would be in effect from January 2009 through December 2009, as represented by the yellow shaded, horizontally striped area. At the time of filing of PPA-2, the PPA-1 rates would not yet have been in effect for a full twelve (12) month period. Therefore, PPA-2 will not reconcile a previous period.

50. Please describe the third Purchased Power Adjustment filing, PPA-3.

A. PPA-3 would recover fuel and purchased power costs for the subsequent historical period i.e. the twelve (12) month period from August 2008 through July 2009. Please refer to the green shaded, vertically striped area on Petitioner's Exhibit KAH-7. The PPA-3 filing would be submitted on approximately October 1, 2009, with an estimated rate effective date of January 1, 2010. The PPA-3 rates would be in effect from January 2010 through December 2010, as represented by the green shaded, horizontally striped area. An entire twelve (12) months of actual historical data from the PPA-1 rates covering January 2008 through December 2008 would now be available to reconcile, and it is represented on Petitioner's Exhibit KAH-7 by the blue shaded, horizontally striped area.

51. Would the subsequent Purchased Power Adjustment filings follow the same pattern as the third PPA filing?

A. Yes. Each projection and reconciliation period will simply roll forward by twelve (12) months.

52. Does this conclude your prepared direct testimony?

A. Yes.

KERRY A. HEID, P.E. *Heid Rate and Regulatory Services*
President

Mr. Heid is an independent rate consultant with 26 years of gas, electric, water and wastewater utility experience in the rate and regulatory areas. Mr. Heid was previously Director of Rates for Vectren Corporation where he directed the rate activities for the Vectren utilities of Indiana Gas Company, Southern Indiana Gas and Electric Company and Vectren Energy Delivery of Ohio. While at Vectren Mr. Heid was responsible for preparation of cost of service studies, development of rate schedules and preparation of Purchased Gas Adjustment ("PGA") filings. Mr. Heid has testified on numerous occasions regarding cost of service studies and rate design.

Prior to his employment with Vectren, Mr. Heid was a senior member of the Indiana Utility Regulatory Commission technical staff. Mr. Heid was also previously employed in the Management Services Division of Black & Veatch Consulting Engineers, where he prepared cost of service studies for utilities throughout the United States.

Since leaving Vectren Mr. Heid has continued consulting with Vectren on gas and electric cost of service and rate design matters. Mr. Heid has also assisted other gas, electric, water and wastewater utility clients in preparing cost of service studies and developing new rate schedules. Mr. Heid has also provided cost of service and rate design assistance to large customers in various regulatory and court proceedings.

Mr. Heid has been actively involved as a member of the following professional industry associations: (i) *American Gas Association ("AGA") Rate and Strategic Planning Committee*, including former Chair of its Revenue Requirements Subcommittee; (ii) *Indiana Gas Association Rate Committee*, Former Chair; (iii) *Edison Electric Institute Economic Regulation and Competition Committee*; (iv) *Indiana Electric Association Rates and Tariffs Committee*; (v) *American Water Works Association Rates and Charges Committee*. Appointed to Subcommittee revising Manual M1, "Principles of Water Rates, Fees, and Charges;" (vi) *Water Subcommittee of the National Association of Regulatory Utility* Commissioners ("NARUC"); and (vii) *Water Environment Federation*.

Mr. Heid has been an instructor at the AGA Gas Rates School, has given presentations to the American Gas Association Rate and Strategic Planning Committee on various topics including PGA mechanisms, and has been invited by the Indiana Utility Regulatory Commission to conduct training for its staff on PGA mechanisms. Mr. Heid has served on the faculty at the NARUC Annual Eastern Utility Water Rate Seminar, and has given presentations to the Annual Meeting of the Indiana Chapter of the American Water Works Association, the Indiana Chapter of the American Society of Civil Engineers, the Indiana Water Association, the Indiana Rural Water Association, the Indiana Association of Conservancy Districts, and the Governor's Drought Advisory Committee.

Mr. Heid has a B.S. degree in Civil Engineering from Purdue University and an MBA degree with a concentration in finance from Indiana University. Mr. Heid is a registered Professional Engineer in the State of Indiana.

ENGAGEMENTS OF KERRY A. HEID, P.E.
Heid Rate and Regulatory Services

Client	Year	Project Emphasis
Vectren North (Indiana Gas Co.)	1990	Gas Cost of Service Study and Rate Design Weather Normalization Clause
Vectren North (Indiana Gas Co.)	1992-1995	Gas Cost of Service Study and Rate Design Weather Normalization Clause Environmental Cost Recovery Tracker
Vectren North (Indiana Gas Co.)	1989-2002	Quarterly Gas Cost Adjustments
Vectren South (SIGECO)-Gas	2000-2002	Quarterly Gas Cost Adjustments
Vectren South (SIGECO)-Electric	2000-2002	Quarterly Electric Fuel Cost Adjustments Demand Side Management Cost Riders
Vectren Energy Delivery of Ohio	2000-2002	Quarterly Gas Cost Adjustments
Vectren Energy Delivery of Ohio	2001	Gas Cost Recovery Audit
Vectren Energy Delivery of Ohio	2001	Senate Bill 287 Implementation Gross Receipts Tax Rider
Vectren South (SIGECO)-Electric	2001	NOx Environmental Cost Recovery Mechanism
Vectren South (SIGECO)-Electric	2002	NOx Environmental Cost Recovery Mechanism
Vectren South (SIGECO)-Electric	2002	Review of Electric Cost of Service Study
Evansville Business Alliance	2002	Wastewater Cost of Service Study and Rate Design
Evansville Business Alliance	2002	Water Cost of Service Study and Rate Design
Mead Johnson (Bristol Myers)	2003	Wastewater Rate Projections
Vectren South (SIGECO)-Electric	2003	NOx Environmental Cost Recovery Mechanism
South Bend Industrial Intervenors	2003	Wastewater Cost of Service and Rate Design
Indiana Utilities Corporation	2003	Gas Cost of Service and Rate Design
Community Natural Gas Co.	2003	Gas Cost of Service Study and Rate Design
Indiana Natural Gas Corp.	2003	Gas Cost of Service Study and Rate Design

ENGAGEMENTS OF KERRY A. HEID, P.E.
Heid Rate and Regulatory Services

Client	Year	Project Emphasis
Indiana-American Water Company	2003	Water Cost of Service Study and Rate Design Single Tariff Pricing
GPI at Danville Crossing	2003-2005	Wastewater Rate Design
Vectren South (SIGECO)–Gas	2003	Gas Cost of Service Study and Rate Design Weather Normalization Clause
Purdue University	2004	Wastewater Cost of Service Study and Rate Design
City of Frankfort , IN	2004	Water Cost of Service Study and Rate Design Large Customer Bypass Negotiations
Evansville Business Alliance	2004	Wastewater Cost of Service Study and Rate Design
Switzerland County Natural Gas	2004	Gas Cost of Service Study and Rate Design
Vectren Energy Delivery of Ohio	2004	Gas Cost of Service Study and Rate Design
Vectren North (Indiana Gas Co.)	2004	Gas Cost of Service Study and Rate Design Weather Normalization Clause
Clay Utilities Customers	2005	Outside City Surcharge
City of East Chicago, IN	2005	Water Cost of Service Study and Rate Design
Indianapolis (Veolia) Water Company	2006	Water Cost of Service Study and Rate Design
Culver Academies	2005	Wastewater Cost of Service Study and Rate Design
City of Anderson, IN	2005-2006	Water Cost of Service Study and Rate Design
Vectren South (SIGECO)-Electric	2006	Electric Cost of Service Study and Rate Design
Vectren South (SIGECO)-Gas	2006	Gas Cost of Service Study and Rate Design
MasterGuard Corporation	2006	Electric Rate Billing Dispute
City of Anderson, IN	2006	Wastewater Cost of Service Study and Rate Design
Lawrenceburg Gas Corp.	2006	Gas Cost of Service Study and Rate Design Rate Consolidation
Fountaintown Gas Company	2006	Transportation Balancing Provisions
Southeastern Indiana REMC	2006	Electric Cost of Service Study and Rate Design

ENGAGEMENTS OF KERRY A. HEID, P.E.
Heid Rate and Regulatory Services

Lawrenceburg Gas Company Midwest Natural Gas Corporation Indiana Utilities Corporation South Eastern Indiana Natural Gas Co. Fountaintown Gas Company, Inc. Community Natural Gas Co. Boonville Natural Gas Corporation Chandler Natural Gas Corporation Indiana Natural Gas Corporation	2006	Weather Normalization Clauses

Summary of Indiana-American Electric Providers

	(1)	(2) Rate Schedule	(3) IURC-Regulated	(4) Supplier
1	American Electric Power	MGS	Yes	N/A
2	American Electric Power	OTLT	Yes	N/A
3	American Electric Power	OTLT109	Yes	N/A
4	American Electric Power	SGS	Yes	N/A
5	American Electric Power	WTR+SWR	Yes	N/A
6	Bargersville Power & LT	GS	Yes	IMPA
7	Bargersville Power & LT	LP	Yes	IMPA
8	Cinergy (PSI Energy, Inc.)	AREALT	Yes	N/A
9	Cinergy (PSI Energy, Inc.)	CS	Yes	N/A
10	Cinergy (PSI Energy, Inc.)	HLF	Yes	N/A
11	Cinergy (PSI Energy, Inc.)	LLF	Yes	N/A
12	Cinergy (PSI Energy, Inc.)	ID 1150	Yes	N/A
13	Cinergy (PSI Energy, Inc.)	WP	Yes	N/A
14	Cinergy (PSI Energy, Inc.)	RS	Yes	N/A
15	Clark County REMC	SM/COMM	No	Hoosier
16	Crawfordsville EL & SW	GS	Yes	IMPA
17	Crawfordsville EL & SW	GSD	Yes	IMPA
18	Darlington L & P	1EL	No	IMPA
19	Indianapolis Power & Light	SL	Yes	N/A
20	Indianapolis Power & Light	SS	Yes	N/A
21	Jackson County REMC	GS821	Yes	Hoosier
22	Johnson County REMC	LGS	Yes	Hoosier
23	Johnson County REMC	MPC	Yes	Hoosier
24	Johnson County REMC	SPC	Yes	Hoosier
25	Kosciusko County REMC	LP	No	WVPA
26	NIPSCO	GA823	Yes	N/A
27	NIPSCO	GS281	Yes	N/A
28	NIPSCO	GS821	Yes	N/A
29	NIPSCO	GS823	Yes	N/A
30	NIPSCO	GS824	Yes	N/A
31	NIPSCO	MUNI PWR	Yes	N/A
32	NIPSCO	STLT	Yes	N/A
33	NIPSCO	GS283	Yes	N/A

Summary of Indiana-American Electric Providers

	(1)	(2)	(3)	(4)
		Rate Schedule	IURC-Regulated	Supplier
34	Richmond Power & Light	COMM LT SERV	Yes	IMPA
35	Richmond Power & Light	G PLUS	Yes	IMPA
36	Richmond Power & Light	GP24	Yes	IMPA
37	Richmond Power & Light	LP	Yes	IMPA
38	Richmond Power & Light	Outdoor Light	Yes	IMPA
39	Richmond Power & Light	SM COMM	Yes	IMPA
40	Rush Shelby Energy	GS	No	Hoosier
41	Rush Shelby Energy	GSD	No	Hoosier
42	South Central Indiana REMC	GEN PWR	No	Hoosier
43	Tipmont REMC	SM COMM	No	WVPA
44	Tipmont REMC	GS	No	WVPA
45	Tipmont REMC	LARGE COMM	No	WVPA
46	Tipmont REMC	SM COMM	No	WVPA
47	Vectren (SIGECO)	GS	Yes	N/A
48	Vectren (SIGECO)	OSS	Yes	N/A
49	Wabash County REMC	GS	No	WVPA
50	Wabash County REMC	GS1	No	WVPA
51	Wabash County REMC	GS3	No	WVPA

Indiana-American Electric Providers
Rate Adjustment Mechanisms

PSI Rate Riders

Standard Contract Rider No. 60-Fuel Cost Adjustment
Standard Contract Rider No. 62-Qualified Pollution Control Property Revenue Adjustment
Standard Contract Rider No. 63-SO2 and NOx Emission Allowance Adjustment
Standard Contract Rider No. 64-Merger Savings Credit
Standard Contract Rider No. 66-Demand Side Management Adjustment
Standard Contract Rider No. 67-Purchased Power Tracker
Standard Contract Rider No. 68-MISO Management Cost and Revenue Adjustment
Standard Contract Rider No. 70-Summer Reliability Adjustment
Standard Contract Rider No. 71-Clean Coal Operating Cost Revenue Adjustment

Vectren Rate Riders

Appendix A - Fuel Adjustment Clause
Appendix B - Demand side Management Adjustment
Appendix C - Clean Air Act Amendment Adjustment
Appendix E - Qualified Pollution Control Property-Construction Cost Adjustment
Appendix F - Qualified Pollution Control Property-Operating Expense Adjustment
MISO Cost and Revenue Adjustment (MCRA) - Proposed
Generation Cost and Revenue Adjustment (GCRA) - Proposed

NIPSCO Rate Riders

Appendix A - Purchased Power Cost Adjustment Tracking Factor
Appendix B - Fuel Cost Charge
Appendix C - Customer Credit Adjustment
Appendix D - Environmental Cost Recovery Mechanism factor
Appendix E - Environmental Expense Recovery Mechanism factor

IPL Rate Riders

Rate No. 4 - Demand Side management Adjustment
Rate No. 6 - Fuel Cost Adjustment
Rate No. 19 - July 8, 2001 Storm Rebate
Rate No. 20 - Environmental Compliance Cost Recovery Adjustment

Municipalities' and Rural Electric Cooperatives' Rate Riders

Purchased Power Cost Adjustment Tracking Factors
Fuel Adjustment Clause Factors

Hoosier Energy Wholesale power tracker recovers unpredictable costs

Perspective: Energy industry faces rising cost pressures

A tracker is a commonly used utility rate mechanism that follows or "tracks" unpredictable costs that a utility incurs in providing service. The tracker is added to the base rate, which covers the cost of generating and delivering electricity to you in a reliable manner. Your REMC does not gain or profit from the increased tracker.

Prices in the wholesale power market fluctuate daily. Variability is driven by weather, generating unit outages, transmission constraints, fuel costs, and other factors. To account for these unpredictable costs, utilities rely on variable rate components such as trackers.

When the U.S. Congress introduced competition in wholesale electricity markets in 1992, dramatic price variability became commonplace based on daily supply and demand levels. Prior to this policy change, markets were regulated and price variability was more predictable.

The tracker recovers costs experienced in the deregulated wholesale electricity market during periods of high consumer demand or when generating units are out of service for repairs.

We know that minimizing costs is important to you and your family's budget. Your electric cooperative works to manage and control costs while continuing to provide reliable electric service at a competitive cost.

Tracker Questions and Answers

What is the power cost tracker?

A tracker is a mechanism that follows for "tracks" certain costs that a utility might incur in providing service to consumers.

What are these costs?

Utilities use trackers for various unanticipated, unpredictable or highly variable costs including fuel, environmental requirements and purchased power above estimated levels projected for a given period. You may be familiar with fuel adjustment clauses used by natural gas utilities to recover their costs for purchasing gas during time of uncertain market conditions.

What are these costs not included in the base rate?

These are costs of operations that are not fixed and cannot be predicted or known in advance. You may have read about extremely high wholesale power prices in California recently. Indiana experienced similar wholesale market fluctuations in the summers of 1998 and 1999, and at other times of high demand and short supply. These market price fluctuations are due to circumstances that cannot be predicted and create highly variable power market costs that cannot be forecast.

When are wholesale market power purchases necessary?

An example is when a utility may lose a generating unit and be required to purchase power on the open market to replace some of its power supply to maintain reliable service.

Is the REMC the only utility using a tracker?

For many years, central and southern Indiana's electric cooperatives enjoyed the position of not having any variable component or tracker in our rates. All other Indiana electric utilities had these components already built into their rate structures. When Congress deregulated the electric wholesale power supply business, the industry became subject to increased volatility and uncertainty, and our power supplier experienced a need to implement a cost tracking mechanism. The tracker became part of your electric bill two years ago.

How do my REMC's rates compare to those of other utilities?

During the last decade, your electric cooperative has made great strides in rate competitiveness at the retail level. We do not expect that competitive position to change. Our rates are lower now than in 1994 because of successful efforts to manage costs, and because our wholesale power cooperative Hoosier Energy has decreased rates over the past 15 years. Your co-op has maintained a favorable position during a period of growth that required substantial capital investments to provide service to new customers.

How does the tracker work?

Through its wholesale power rate to the REMC, Hoosier Energy has built in and is recovering a certain level or purchased power costs based on historic generating unit performance and other factors. The tracker is used to recover costs related to unanticipated circumstances such as those that occurred earlier this year.

How do Hoosier Energy's wholesale costs compare to those of other power suppliers?

Hoosier Energy has been among the lowest cost wholesale suppliers in Indiana for the past several years. Hoosier Energy's rates continue to be competitive with other Indiana and regional power suppliers, which have included environmental and purchased power costs on consumer bills through a tracker mechanism.

What are other reasons for the tracker?

Electric cooperatives are consumer-owned, but like other businesses must operative in a financially responsible manner to provide reliable service and maintain competitive rates. The tracker will help the electric cooperative manage risks associated with wholesale power costs, maintain financial stability, and avoid large increase in customer bills.

INDIANA-AMERICAN WATER COMPANY, INC.

IURC No. W-17-C
Original Page 1 of 2

PURCHASED POWER ADJUSTMENT (PPA)

The Purchased Power Adjustment (PPA) set forth on this schedule is applicable to all water districts, and shall be added to the volumetric rates billed.

	PPA
Rate per 100 Cubic Feet	$0.0000
Rate per 1000 Gallons	$0.0000

Issued:____________________ Effective:____________________

Issued by:

Terry L. Gloriod, President
555 E. County Line Road
Greenwood, Indiana 46143

BASE RATE COST OF FUEL AND PURCHASED POWER

The Base Cost of Fuel and Purchased Power determined in the general rate proceeding in Cause No. 43187 is as set forth in the following table.

	Base Rate Cost of Fuel and Purchased Power
Base Rate per 100 Cubic Feet	$0.1083

Issued:________________ Effective:________________

Issued by: Terry L. Gloriod, President
555 E. County Line Road
Greenwood, Indiana 46143

PURCHASED POWER ADJUSTMENT NO. 1

I.U.R.C. Cause No 43187
Petitioner's Exhibit KAH-6
Schedule 1

INDIANA-AMERICAN WATER COMPANY
PURCHASED POWER ADJUSTMENT
DETERMINATION OF PURCHASED POWER ADJUSTMENT
EFFECTIVE JANUARY 1, 2008

1	PPA Costs to be Recovered (8/1/07 - 7/31/07)		$6,018,296
2	Variance from Prior Period (Schedule 3)		$0
3	Total to be Recovered (Line 1 + Line 2)		$6,018,296
4	Projected Sales Volumes (Ccf)		45,200,180
5	Total PPA Unit Cost (Line 3 / Line 4) ($/Ccf)		$0.1331
6	Less: Base Rate Fuel and Purchased Power Unit Cost (Schedule 2)	($/Ccf)	$0.1083
7	PPA Rate Before Indiana Utility Receipts Tax (Line 5 - Line 6)	($/Ccf)	$0.0248
8	Proposed PPA Rate Modified for Indiana Utility Receipts Tax (Line 7 / .9847)	($/Ccf)	$0.0252
8a	Proposed PPA Rate Modified for Indiana Utility Receipts Tax (Line 8 / 0.75)	($/Mgal)	$0.0336

INDIANA-AMERICAN WATER COMPANY
PURCHASED POWER ADJUSTMENT
DERIVATION OF BASE RATE PPA COSTS
AS DETERMINED IN CAUSE NO. 43187

1	PPA Costs as Determined in Cause No. 43187	$5,342,796 (a)
2	Adjusted Test Year (Pro Forma) Sales (Ccf)	49,323,617
3	Base Rate Purchased Power Costs (Line 1 / Line 2) ($/Ccf)	$0.1083

(a) Reflects water systems only. Excludes wastewater systems.

INDIANA-AMERICAN WATER COMPANY
PURCHASED POWER ADJUSTMENT
DETERMINATION OF PPA VARIANCE FOR THE PERIOD
JANUARY 1, 2008 THROUGH DECEMBER 31, 2008

Line No.		
	FUEL AND PURCHASED POWER COSTS RECOVERED	
1	Actual Sales 1/1/08-12/31/08 (Ccf)	0
2	PPA Rate (PPA-__, Schedule 1, Line 7) ($/Ccf)	$0.0000
3	PPA Costs Recovered (Line 1 * Line 2)	$0
	FUEL AND PURCHASED POWER COSTS TO BE RECOVERED	
4	PPA Costs to be Recovered (PPA-__, Schedule 1, Line 3)	$0
	PURCHASED POWER COST VARIANCE	
5	PPA (Over)/Under Recovery Variance (Line 4 - Line 3)	$0

PURCHASED POWER ADJUSTMENT NO. 1

I.U.R.C. Cause No 43187
Petitioner's Exhibit No. KAH-7

INDIANA-AMERICAN WATER COMPANY
PURCHASED POWER ADJUSTMENT
PPA TIMELINE